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The Whole is Greater than the Sum of its Parts. NGO-Business Partnerships in International Cooperation

Susanna Perko
Georgia State University

THE WHOLE IS GREATER THAN THE SUM OF ITS PARTS

NGO-BUSINESS PARTNERSHIPS IN INTERNATIONAL COOPERATION

by

SUSANNA PERKO

Under the Direction of Jelena Subotic

ABSTRACT

In the current globalized market, multinational corporations are experiencing heightened external social and environmental pressures to operate more responsibly. Transnational activist groups and advocacy NGOs are successfully framing normative expectations on corporate social responsibility and using tactics to name and shame socially and environmentally controversial corporations to pressure them to change their practices. An international norm of corporate social responsibility is increasingly shared by states, intergovernmental organizations and the private sector itself, and visibly emerging in the market place. Corporations engage with NGOs to demonstrate their conformance to the norm.

The study explains why corporations engage with NGOs in different ways. It argues that corporations weigh the material incentives associated with the social and environmental consequences of their activities, and conform to the norm accordingly. They thus use the norm to further their material interests. Given that corporations are exposed to different levels of normative external pressures, there are different engagement strategies. In order to explain the terms under which corporations are likely to choose a particular kind of engagement strategy, a three-level concept of vulnerability is introduced. The more a corporation is vulnerable to the external normative pressures, the deeper it is willing to work with NGO/NGOs to ease that pressure. Hence, in NGO-business engagements, actors collaborate in order to gain the anticipated positive rewards of cooperation. They perceive those advantages greater than if they had pursued their goals separately.

INDEX WORDS: NGO-Business partnerships, Corporate social responsibility, International cooperation, Activist pressure, Corporate vulnerability

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SUSANNA PERKO

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SUSANNA PERKO

Committee Chair: Jelena Subotic

Committee: Charles Hankla

Kim Reimann

Electronic Version Approved:

Office of Graduate Studies

College of Arts and Sciences

Georgia State University

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Susanna Perko,

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF ABBREVIATIONS

AAFLI	Asian-American Free Labor Association
AEA	American Engineering Association
BBP	Better Banana Project
BP	British Petroleum
BSAG	Baltic Sea Action Group
BSR	Business for Social Responsibility
CAI	Corporate Accountability International
CDP	Carbon Disclosure Project
CERES-ACCA	Ceres and the Association of Chartered Certified Accountants
CGI	Clinton Global Initiative
CI	Conservation International
CNOC	PetroChina
COLSIBA	Coalition of Latin American Banana Workers' Unions
CORBANA	Government/industry banana association in Costa Rica
CSE	Center for Science and Environment
CSR	Corporate Social Responsibility
CTIA	Cellular Telecommunications Industry Association
DBCP	Dibromochloropropane, chemical used to kill nematodes that attack the roots of the banana plant
DRC	Democratic Republic of Congo
EC	European Commission
EDF	Environmental Defense Fund
EIA	Electronics Industry Alliance
EICC	Electronics Industry Citizenship Coalition
EICTA	European Information, Communications and Consumer Electronics Technology Industry Association
EIT	Extractive Industries Transparency Initiative
EMAS	Environmental Management System
EPA	Environmental Protection Agency
EU	European Union
EUROBAN	European Banana Action Network
FDB	Danish Supermarket Cooperative Chain
FLA	Fair Labor Association
FSC	Forest Stewardship Council
GBDe	Global Business Dialogue on Electronic Commerce
GDP	Gross Domestic Product
GeSi	Global e- Sustainability Initiative
GRI	Global Reporting Initiative
ICC	Chamber of Commerce

ICCR	Interfaith Center on Corporate Responsibility
ICME	International Council on Metals and the Environment
ICMM	International Council on Mining and Metals
IFC	International Financial Corporation
IFPMA	International Federation of Pharmaceutical Manufacturers Association
ILO	International Labor Union
INdT	Instituto Nokia de Tecnologia
IRC	Indian Resource Center
ISO	International Organization for Standardization
ITC	Information and Telecommunications Industry
IUCN	International Union for the Conservation of Nature
IUF	International Union of Food Workers
IYF	International Youth Foundation
MGDs	Millennium Development Goals
MMF	Mobile Manufacturers Forum
MSC	Marine Stewardship Council
NEPS	National Electronics Product Stewardship Initiative
NGO	Non-governmental organization
OECD	Organization for Economic Cooperation and Development
PETA	People for the Ethical Treatment of Animals
RFSTE	Research Foundation for Science Technology and Ecology
SAI	Social Accountability International
SAN	Sustainable Agricultural Network
SOMO	Centre for Research on Multinational Corporations
TCC	The Coca-Cola Company
TEEB	The Economics of Ecosystems & Biodiversity
TTP	Type Two Partnership
UFC	United Fruit Company
UN	United Nations
UNDP	United Nations Development Program
UNGC	United Nations Global Compact
UNPRI	United Nations Principles for Responsible Investment
USAID	US Agency for International Development
USLA	US Labor Education in the Americas
WBCSD	World Business Council for Sustainable Development
WCD	World Commission on Dams
WRI	World Resource Institute
WSSD	World Summit Sustainable Development
WWC	World Water Council
WWF	World Wildlife Fund
WTO	World Trade Organization

“Lines between these camps were once clearly drawn. Now formal antagonists work together in ways that are uncomfortable, controversial, and yet often highly effective… In their heart of hearts, most environmental NGO leaders would probably prefer public policy solutions to industry partnerships. And most industry executives would probably prefer to focus on business, not environmental work. But we live in an era of strange bedfellows.” (Glenn Prickett, Conservation International, in Esty & Winston 2006, 184)

Chapter I

Introduction

The September 2010 issue of Harvard Business Review discussed how on July 1st 2009 Jeff Swartz, the CEO of a footwear company Timberland, began receiving angry emails accusing the company of supporting slave labor, destroying tropical forests, and exacerbating global warming. The emails kept coming for few weeks totaling to over 65 000. The angry writers were Greenpeace supporters reacting to a newly released Greenpeace report about deforestation in the Amazon. At the time, Timberland was sourcing seven percent of its leather from Brazil. Because that many people were taking the time to send e-mails, Swartz was sure that there must be at least half a million not sending e-mails who were also annoyed. He knew the brand was at stake.[1]

According to the article, Greenpeace was pressuring Timberland to pull out of Brazil. Swartz knew that the protestors were asking legitimate questions that the company should have been asking itself. So "instead of standing there with arms folded and mind closed", Swartz decided to engage with the activist group to work together with the company's Brazilian suppliers in "hopes of making a positive difference". With the help of Greenpeace, Timberland began to trace the origin of all the cattle they source and make sure they are not contributing to Amazon deforestation. This required working with the suppliers to meet traceability targets. In return, Greenpeace issued a statement that Timberland had taken a leadership position on the issue.

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[1] Jeff Swartz, Timberland's CEO on Standing Up to 65,000 Angry Activists. *Harvard Business Review*, September 2010, 39-43.

Sixteen years earlier, Chiquita CEO Carl Lindner received 6000 letters from children begging him to stop killing turtles. These kids were the readers of Ranger Rick, the National Wildlife Federation's nature magazine, and they wanted to let Lindner know how worried they were about sea turtles being strangled by the blue plastic bags then used to protect the fruit from insects. Lindner - a well-respected man in his community - was disturbed by the fact that his company was killing turtles. He decided to do something about the situation. Partly because of the letters, the company intensified its collaboration with the Rainforest Alliance and began a large company-wide program to improve its dirty processes to become an industry leader in environmental and social issues.[2]

These stories tell about increasingly typical *trade-offs* non-profit non-governmental organizations (NGOs) and for-profit companies negotiate to achieve end-results that satisfy both parties. These trade-offs evolve when companies benefit from corporate social responsibility and NGOs increase their impact by harnessing the power of business to solve social and environmental problems.

These engagements that go beyond traditional philanthropy started to accelerate in the 1980s and 1990s. Since then a new collaborative culture between NGOs and companies across the world has been rooting and increasingly nurtured. Although these engagements have rapidly proliferated, in most cases NGOs and companies still perceive each other "long-standing adversaries"[3] and "bitter enemies"[4] and their conflicts often end up in the media[5]. However, a growing number of NGOs and companies have recognized that they have joint agendas on certain issues, and despite their different views of problems they have begun to look for

[2] Taylor & Scharlin 2004, 35; McLaughlin, interview in December 2010.
[3] Murphy & Bendell 1999.
[4] Stafford & Hartman 1996.
[5] Duncan, Jancar-Webster & Switsky 2009.

complementary resources and capabilities to work together constructively to find solutions that go beyond their own visions.[6]

This study focuses on these trade-offs by exploring multinational corporations that choose cooperation instead of confrontation and begin working constructively together with an NGO for a common goal. By so doing, their collaboration illuminates the gradual melting of the traditional antagonistic relationship between NGOs and the private sector - the tension between value-driven organizations highly dedicated to and passionate about their specific goals of political, social or environmental change and profit-driven companies that aim to maximize their shareholder value.

Corporations that enter into collaboration with NGOs do it for social and environmental goals[7]. Equally, the more established NGOs are inviting corporations for result-driven collaboration[8]. In these engagements, corporations are taking on a variety of social and environmental endeavors that aim to, and often do, positively impact the societies in which they operate. Some of them are even transforming from being environmentally destructive and greedy to becoming private sector advocates of sustainable development that emphasize environmental and community stewardship[9].

Evidence of such engagements is widespread. The real beginning of these engagements was the World Summit on Sustainable Development (WSSD) held in Johannesburg in September 2002, where the business sector[10] was defined as one of the key actors to contribute to and reinforce the implementation of the outcomes of the intergovernmental negotiations of the

[6] Schwesinger Berlie 2010, 2; Huisjstee & Glasbergen 2010; Berger & Cunningham & Drumwright. 2004.
[7] Vogel 2005; Gerencser, van Lee, Napolitano & Kelly 2008; Yaziji & Doh 2009; Brown, Roemer-Mahler & Vetterlein 2009; Schiller 2005; Uttig 2005.
[8] Yaziji & Doh 2009; Zadek 2001, Kourula 2009.
[9] Porter & Kramer 2004.
[10] It should be stressed that business is not regarded here as a homogenous agency and it is recognized that industries are arenas for conflict, cooperation, power and governance.

WSSD.[11] Since the summit, companies have increasingly entered into voluntary arrangements with NGOs and the two sectors have formed different kinds of partnerships ranging from looser alliances to strategic partnerships in which they seek innovative solutions to position both companies and NGOs as leaders, not only in their market, but also in society in general.[12]

Studies of the engagements have emerged from various disciplines such as political science, organizational studies, economics, non-profit management, health care, education and the natural sciences. During the past ten years, there has been a twenty-fold increase in citations of ”NGOs” or ”non-governmental organizations” in *The Wall Street Journal* and *The Financial Times*[13]. For many observers, the meltdown of the wall between activists and corporations begun when oil corporations BP (British Petroleum) and Shell International included human rights and sustainable development issues in their corporate annual reports by the closing of the twentieth century[14].

In NGO-business engagements, NGOs provide advice and external view to social and environmental issues that are new to the private sector and through collaboration significant new scientific expertise as well as useful local networks are generated[15]. Companies also engage NGOs in strategy work because it helps them avoid conflict with other external groups. Many large multinationals have invited an NGO executive to serve on their boards. It is viewed that NGO collaboration increases a company’s credibility by providing a credible “seal” to it.[16] NGOs have greater public trust in social and environmental issues than do governments, the

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[11] Hirschland 2006.
[12] Schwesinger Berlie 2010; Warner & Sullivan 2004; Crutchfield & Grant 2008; Senge 2008; Jamali & Keshishian 2008; Neergaard, Thusgaard & Jensen 2009.
[13] Yaziji & Doh 2009.
[14] Taylor and Scharlin 2004.
[15] Stafford, Polonsky & Hartman 2000.
[16] Bishop, interview in January 2010.

media and corporations[17]. They are often seen as working in the public interest as they are designed around and focused on their causes[18]. By collaborating with NGOs, corporations can thus improve legitimacy and trust for their social and environmental initiatives, and thereby safeguard their business continuity in the long run.

Hence, although some radical NGOs[19] view corporate partnering a sign of "selling out" or "doing a deal with the devil"[20], a growing number of NGOs work with businesses to leverage the global business community as collaborating partners rather than as traditional adversaries to sustainable practices and ethical code of conduct[21]. In their book, *Forces for Good. The Six Practices of High-Impact Nonprofits*, Leslie Crutchfield and Heather McLeod Grant write that, nonprofits are…"social entrepreneurs – highly adoptive, innovative leaders who see new ways to solve old problems and who find points of leverage to create large-scale systemic change". According to them, "The most effective of these groups (nonprofits) employ a strategy of leverage, using government, business, the public, and other nonprofits as forces for good, helping them deliver even greater social change than they could possibly achieve alone."[22]

As the Timberland case illuminates, Greenpeace, which has its roots in peace activists who wanted to stop a planned nuclear weapons test at Amchitka in September 1971, "seeks to inspire others to take action to bring about positive change". According to the organization, "Where we find problems, we offer viable solutions. Greenpeace works with a wide range of people,

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[17] Wootliff & Deri 2001, Boli & Thomas 1999. Yaziji & Doh 2009.
[18] Yaziji & Doh 2009.
[19] For instance, Corporate Accountability International (CAI) and SOMO (the Centre for Research on Multinational Corporations). CAI is a grass-root watchdog organization and SOMO is a non-profit Dutch research and advisory. Both organizations have investigated transnational corporations' policies and practices worldwide over 30 years.
[20] Crutchfield & McLeod Grant 2008, 56.
[21] Brugmann & Prahalad. 2007; Schwesinger Berlie 2010; Kourula 2009.
[22] Crutchfield & McLeod Grant 2008, 6.

communities and organizations to bring about real and positive change. As the issues on which we work continue to evolve, so shall we."[23]

During the years, Greenpeace has begun to leverage market forces in its attempt to make change. In addition to being a global campaigning organization to which campaigning is a way to commit to positive change through action, it is also known for successful collaboration with corporations. One of them is its collaboration with the world's largest tissue-product manufacturer Kimberly Clark. After nearly five years of its so-called *Kleercut* campaign against the company, in which hundreds of protests led to more than fifty activists arrested in acts of peaceful civic disobedience, in 2010 the disparate parties found common ground in protecting forests. According to Greenpeace, the "successful conclusion" was reached when Kimberly Clark released stronger paper policy including protection of the world's most endangered forests, increased support of sustainable forest management and the increased use of recycled fiber in Kimberly Clark's products.[24]

One of the first large environmental organizations that have changed its tactic from confrontation to collaboration is Environmental Defense Fund (EDF). It was initially found in the late 1960s to ban the pesticide DDT to stop killing endangered birds[25], but has since the late 1980s been known for its successful corporate partnering. The organization was influential by using traditional means such as suing companies and government agencies to end practices and lobbying for new federal regulation. However it decided to turn directly to companies to help them create environmental programs to deliver greater conservation results.

[23] Greenpeace International. Another similar environmental group is Friends of the Earth, active in 68 countries. When determining which action is appropriate for its target groups, it applies a "ladder of escalation". The group will initially take soft measures, but changes to harder ones if the target remains insensitive to its attempts. (van Huijstee & Goldberger 2010)
[24] www.greenpeace.org/raw/content/canada/en/documents-and-links/publications/the-policy-of-kimberly-clark.pdf
[25] As of April 2011, EDF consists of a staff of three hundred and five hundred thousand member base with an annual budget of nearly 70 million.

This idea, as the story goes, occurred somewhat unexpectedly to the mind of Fred Krupp, the president of Environmental Defense Fund in 1987, while he was enjoying a meal with his three children in a Manhattan McDonald's. At that time, the public debate about overflowed landfills was heated and the situation especially in New York was tough. According to the story, Krupp had looked around at the Styrofoam, plastic wrappers, and colored non-recycled paper and found himself thinking that: "I think we can help them do better". He wrote a letter to the CEO of McDonald's proposing that the company work with Environmental Defense Fund on a plan to reduce its waste. It took six months that the company started to replace polystyrene "clamshell" containers in which it sold over billion hamburgers with eco-friendly materials. As a result, McDonald's eliminated 150 000 tons of packaging waste over ten years.[26]

In the late 1980s, a number of other fast-food chains followed McDonalds, which resulted in more waste reduction. Since the engagement with McDonald's Environmental Defense Fund has helped companies take into account their negative environmental impacts and used market-based strategies that help change corporate behavior. For instance, it is helping FedEx convert its midsized truck fleet to hybrid vehicles and Wal-Mart to become more environmentally sustainable.[27]

The reason for NGOs to engage with the private sector is practical: changing the course of major corporations creates significant social and environmental benefits, since millions of people use their products and rely on their service. And these environmental damages are not small: the United Nations Principles for Responsible Investment (UNPRI) estimated in 2008 that 3000 largest listed companies in the world were responsible for environmental externalities amounting

[26] Environmental Defense Fund, Press Release December 21, 1999;
Crutchfield & McLeod Grant 2008.
[27] Crutchfield & McLeod Grant 2008, 13.

to over US $ 2 trillion in Net Present Value terms. This amounts to about seven percent of their combined revenues and up to a third of their combined profits[28].

However, not all NGOs appreciate corporate partners and there are different approaches to corporate engagements within the NGO community[29]. In the early days of NGO-business collaboration, Sierra Club leader David Brower commented the collaboration between Environmental Defense Fund and McDonald's: "There is too much movement away from the ideals and too much emphasis on bottom lines. The MBAs are taking over from the people who have the dreams."[30] Some radical environmental groups believe that it is better not to get involved with the private sector. They see NGOs that collaborate with companies as compromising their values for corporate resources[31].

These purist NGOs often accuse corporate-friendly NGOs of "greenwashing" or window-dressing[32]. They have, for instance, criticized Environmental Defense Fund for compromising its values, when it joined with BP, Shell and other major corporations to form the Partnership for Climate Action to reduce CO2 emissions.[33]

But NGO-engagements are not necessary about compromising values for taking money. In fact there are differences among NGOs in their approaches to corporate partnering. Most notably NGOs vary in which corporations they choose to work with. Some of them remain very selective and exclude industries that have large environmental externalities such as oil and energy sector and refuse to work with them, or they refuse to work with industries that they see harmful to society, such as tobacco and alcohol, guns and armaments and adult entertainment. For instance,

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[28] United Nations Principles for Responsible Investment 2008.
[29] Yaziji & Doh 2009; Hirschland 2006.
[30] Quoted in Crutchfield & McLeod Grant 2008, 56.
[31] Yaziji & Doh 2009.
[32] Wille, interview April 2011.
[33] Stephens 2010.

Greenpeace, which seeks to actively work with corporations to achieve concrete results for its environmental work, excludes nuclear power companies as its potential allies. Working with a nuclear power company would strongly contradict its goal of working for a nuclear-free world. World Wildlife Fund (WWF), also widely known for its corporate partners, does not partner with oil and energy industry. In contrast, Conservation International (CI) emphasizes that collaborating with industries that have large environmental footprints is essential to reduce environmental harm[34]. In March 2011, about twenty energy and environmental groups, including CI, Sierra Club and Audubon, had joined with BP Wind Energy to form the American Wind and Wildlife Institute, which work to "protect wildlife through responsible development of wind farms".[35]

Although these pragmatic NGOs stress that partnering is the best way to create large-scale change, they sometimes need to defend their corporate engagements to their supporters too. For instance, in May 2010, a month after the BP oil spill in the Gulf of Mexico, CI chief executive Mark Tercek needed to defend the partnership with BP to its supporters. They were concerned that the environmental organization's relationship with BP "has lent BP an Earth-friendly image". Tercek defended the collaboration on the group's web site after criticism from CI supporters:

> "Anyone serious about doing conservation in this region must engage these companies, so they are not just part of the problem but so they can be part of the effort to restore this incredible ecosystem"[36].

If NGOs differ in which companies they work with, they also differ in their policies to corporate donations. Some NGOs actively reach out to corporations to find financial support[37],

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[34] Conservation International, Annual Report 2009.
[35] Stephens 2010.
[36] Quoted in Stephens 2010.

while others have strict policies and accept only money against travel and other expenses. According to Gwen Ruta, vice president of corporate partnerships at Environmental Defense Fund, "To maintain our objectivity, we accept no funding from our corporate partners. That independence frees us to set aggressive goals and drive change across entire industries"[38]. For instance, Nature Conservancy has accepted nearly $10 million in cash and land contributions from BP and affiliated corporations over the years. WWF openly informs that corporate donations are a significant source of its budget. Some NGOs, like Greenpeace, seek to maintain independency from formal institutions, and do not accept money from any other than individual donators.

NGOs also differ in ways they term and make public their collaboration with their corporate counterparts. Greenpeace has precise guides to its identity and prefer to term their collaboration with companies as "activities" rather than making a formal agreement of collaboration.[39] WWF and CARE International, in contrast, have publicly open policies for corporate engagements.

Hence, some groups are stricter with their relationship with the corporate world and seek to maintain more independence from it than groups that seek to collect corporate money. Despite these differences, for all NGOs that work with companies in a way or another, the private sector allies represent a strategically important opportunity to further their own missions and deliver on their promises[40]. When they help companies reduce environmental pollution, greenhouse gas emissions, natural resources extraction, labor violations and poverty, significant improvements in habitat protection, nature conservation, and human rights enhancement are generated and thus

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[37] Those include Care International, Earthwatch, Mercycorps, Oxfam, WWF, and World Vision.
[38] www.edf.org/page.cfm?tagID=50930
[39] Aromaa, Interview in March 2011.
[40] Schwesinger Berlie 2010; Kourula 2010.

positive change made[41]. Moreover, working with the markets and not against them is also meaningful because through market mechanisms positive impact is often likely to multiply: action taken by market leaders often encourages others to follow the suit, spreading the benefits yet further.[42]

For example for Oxfam, an international human rights advocacy NGO, corporate collaboration represents a new choice of tactics at the disposal of NGOs: "There are huge opportunities for civil society to engage with corporations to explore how they might use their influence to raise performance standards, distribute resources, share knowledge, and innovate for the common good."[43] Director of an animal rights advocacy group PETA[44] views that collaboration has become more meaningful than confrontation: "We have found that we can change a lot by standing outside a business shouting at the top of our lungs, but that we can change even more by sitting down with the same business's leaders to address both sides' concern in a cooperative spirit"[45].

Also, many environmental NGOs view that they cannot find long-term solutions without the involvement of companies, whose natural resource consumption and pollution strongly impact the planet. US chief officer Marcia March of WWF explains why corporate partnerships are critical to the organization:

> "The simple fact is that we are failing relative to our larger goals. Despite our success in raising public awareness and funding, species are disappearing at historic rates. Habitat continues to be destroyed. Working alone, NGOs are simply unable to reverse the tide of global change. To do this, we will have to develop new partnership with business and governments, partnerships whose scale of impact is commensurate with the problem we face."[46]

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41 Wootliff & Deri 2001.
42 Crutchfield & McLeod 2008.
43 Oxfam 2005.
44 People for the Ethical Treatment of Animals.
45 Quoted in Schiller 2005.
46 Quoted in Senge et al 2004, 78.

Hence, in addition to pressuring corporations to change their course, NGOs also increasingly help corporations to reduce the negative impacts of their activities and bring about positive societal benefits. For them, corporate engagements is a way to open a constructive dialogue with a company to help develop new insights and initiate new projects and processes that lead to a diminishing of its ecological impacts or improved human rights, animal rights and other significant human conditions, that is to improve their corporate social responsibility.

In the heart of NGO-business partnerships is thus what economists call *externalities*. They are the negative or positive side effects of businesses on its broader scene, either directly or indirectly, but which companies are not obligated to pay for or which they are not used to take into account in their decision-making.

As the Timberland and Chiquita cases show, a growing number of corporations take increasing responsibility for the externalities of their business operations and strive to reduce the impacts they have on the larger communities. They engage with NGOs for help in reducing their negative impacts or to generate more positive societal benefits. As Meyer and Kirby argue[47], much has changed since 1980s when the executives at Philip Morris were holding back the evidence that cigarettes cause lung cancer and claimed that customers were exercising free will in choosing to smoke. Now twenty years later, tobacco companies have crafted programs for “responsible smoking”. They are educating people of the health damages smoking causes and informing them that “smoking kills”.

We may witness similar development across industries. For instance, raising societal concerns about diet, nutrition and obesity have made food industries to take action, especially after the health implications of trans fats were discovered. They have changed ingredients, funded public education programs and created reduced-fat products before regulatory

[47] Meyer & Kirby 2010.

compulsion. When the concern for obesity grew, McDonald's developed a "healthy lifestyles" program, offering additional fruit and salads[48]. These examples show that over the past twenty years, the impacts of business on society has become widely recognized and also in many cases too substantial to ignore making it for many companies wiser to take responsibility for them.[49]

According to Gray, partnerships evolve if there is enough trust between the partners and they have discovered that their agendas overlap in some way. They then commit to carry out a certain assignment or project together, and their motivations do not need to be the same. van Huijstee and Glasbergen[50] have noted that the company construes the NGO's attitude as constructive, neutral or adversarial. According to them, it depends on the attitude of the group, which kind of interaction can evolve rather than the choice for an interaction process. Companies most likely invite NGOs that are likely to conduct activities on the issue of their concern and which can have a positive impact on the company. van Huijstee and Glasbergen also point out that there are always practical reasons that account too. Those include time and budget constraints that determine how many NGOs can realistically be involved.

Although this trend is growing, the overall picture is not always this positive. There are many companies that still do not disclose the negative aspects of their products and not all companies are equally responsible and transparent in their activities. Many companies lag behind the normative expectations different external groups have for their operations and continue to do "business as usual".

[48] Baron 2009.
[49] Meyer & Kirby 2010.
[50] van Huijstee and Glasbergen 2008.

The Corporate Social Responsibility Movement

Since the late 1990s and early 2000 action-oriented NGO-business partnerships have become common, and different kinds of engagements in areas of environmental protection and conservation, health care, education, emergency relief, and human rights have proliferated around the world[51]. These engagements take seemingly different forms. Some are loose project-based alliances that are not much different from traditional philanthropy and corporate sponsoring. Some partnerships have developed from projects that were initially corporate communication tactics but developed into cooperation to improve corporate practices. Some partnerships are ambitious agreements to achieve measurable goals and they are designed to create larger societal benefits than reducing negative corporate environmental impacts. In these cases, NGOs help companies to develop new skills and knowledge to reach a deeper appreciation of societal needs and their link to company productivity.

Despite their differences in scope and depth of the cooperation, all these NGO-business partnerships reflect the growing role of anti-globalization movement and its advocacy for corporate social responsibility as an emerging international norm and responsiveness from the part of corporations to conform to that norm[52].

Although there were campaigns against corporations already in 1960s, these informal groups have become increasingly powerful after the street protests at the meeting of the World Trade Organization (WTO) in Seattle in 1999, which manifested the beginning of the global anti-globalization movement. The activism in Seattle against global corporations was fuelled by a

[51] Wadham 2009. Murphy & Bendell 1997; Stafford & Hartman 1996.
[52] Zadek 2001; Vogel 2005; Dashwood 2004; Doh, Howton, Howton & Siegel. 2010. In addition to anti-globalization voices there have also been changes in legislation that have pushed business to increasingly take the environment into account. Over the past 20 years, the majority of countries have created a ministry of the environment and a more demanding environmental constraints for corporations (Schwesinger Berlie 2010, 13).

growing criticism that corporations cause negative impacts that they should be more accountable for. The activists protested particularly against the relocation of production to developing countries where in the absence of appropriate regulation to protect the health of workers and the environment corporations can ignore the social and environmental consequences of their activities and thus make more profits. For activists, multinational corporations are a major driving force in the "race to the bottom" induced by globalization. According to Ruggie, "Although it remains contested, the principle is taking hold that transnational firms… ought to be held accountable not only to their shareholders, but also to a broader community of stakeholders who are affected by their decisions and behavior[53]".

Behind this development is a clear shift in NGOs' emphasis to use the power of corporations as "vehicles for the pursuit of principled goals". Whereas they once used to concentrate solely in pressuring governments, NGOs are now also using market mechanisms to supplement political pressure.[54] So instead of only targeting governments to influence change, they also mobilize to direct their pressure at corporations and important corporate constituencies to pressure for corporate change. They protest against mistreated workers and animals and environmental damage, or question the product itself, such as furs and tobacco. They make laud noise over the clearance of land and forests or pollution and other environmental abuses to third parties. According to Yaziji & Doh[55], NGOs seek to "normatively delegitimize" companies by using tactics that diminish a company's normative *legitimacy*. Given that "legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially construed system of norms, values, beliefs and definitions"[56],

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[53] Ruggie 2004, 21.
[54] Kytle & Ruggie 2005.
[55] Yaziji & Doh 2009 58.
[56] Suchman 1995, 574.

companies are increasingly facing constraints in terms of being able to legitimate their operations and their behavior.

Yaziji and Doh have identified two types of campaigns: “watchdog campaigns” and “proxy wars”. In watchdog campaigns, NGOs target corporations that fail to conform the norm of corporate social responsibility and pressure them to change their processes. These campaigns can also generate “powerful spillover effects”. These effects evolve after an NGO has first demanded better performance from a corporation and threatened with a campaign if the demands are not met. If a company is not responsive, NGO uses a highly visible campaign until the company meets the demands. To build a snowball effect and to create more mass to its impact, the NGO moves on the next company in the same industry and demands it to change practices. Often this second company prefers meeting the demands instead of facing a campaign after having seen the downsides of the first campaign.[57]

Proxy wars, in turn, are “expressions of a broader conflict over norms, values and regulatory environments” and they are targeted against corporations that represent the institution of multinational corporations[58]. For instance, after having traced that McNuggets being sold in Europe had been fed on soy grown in the Amazon rainforest, Greenpeace supporters protested against the company by wearing chicken suits at several McDonald’s restaurants in the UK. The pressure led to a moratorium on the purchase of Brazilian soy grown on newly deforested land and an alliance with other UK retailers to build pressure on the soy suppliers to stop sourcing soy from the Amazon.[59]

Yaziji and Doh point out that NGOs also work indirectly to pressure corporations. This is because NGOs are informal actors and they cannot directly institute laws and regulations. They

[57] Yaziji & Doh 2009.
[58] Yaziji & Doh 2009.
[59] Greenpeace International 2006.

also lack the financial leverage over companies that suppliers, customers and rivals have. They therefore use institutions that can influence a company's economic outcomes. Those include regulators, the courts, politicians, voters, consumers, employees, suppliers, and shareholders. Their power can take the following forms: regulations and fines, court decisions, taxation, laws, purchase decisions, refusal to do business, and shareholder resolutions directing and restraining management choices. In addition, NGOs can use media to influence those institutions.[60]

According to Yaziji and Doh, a typical chain of events among these institutions takes place after NGO community informs them that a company in question has harmful impacts on society. They then start to evaluate and respond to NGOs' critics against the company, which might lead to economic losses by the company or constraints on its behavior. These losses include costs associated with changes to the regulatory environment, reduced market share, diminished brand value, shareholder constraints on behavior, lawsuits, work hold-ups and lowered employee morale. Hence, in order to support the norm of corporate social responsibility and other values that the NGOs are dedicated to promote, they pressure companies, under threat of delegitimization and its attendant costs.[61]

Relying on their ability to damage corporations with consumer and public pressure, international brands have become especially vulnerable, as activists attack them to draw attention to their social or environmental agendas. Activists prefer to target successful brands as they set the example for their respective industries and thus help forge compliance. NGOs thus make clear strategic choices about which corporations to target first in their campaigns.[62] Yaziji and Doh argue that highly visible companies make the easiest targets, insofar as the NGO does not

[60] Yaziji & Doh 2009.
[61] Yaziji & Doh 2009.
[62] Mwangi & Schmitz 2009.

need to make extra effort introducing the company to the public before attacking it[63]. Taylor and Scharlin[64] view that “global brands are now supervulnerable to ‘internetworked’ protests around the world”. NGOs “brand jack” brands in order to call larger public attention to their organization’s agendas. This tactic works better than attacking unknown brands, as more people can relate to the issue by knowing the brands. According to Spar and La Mure, “an NGO delivers a powerful message when it first identifies a problem that it feels passionate about redressing, and then elects a target with the greatest potential to affect the problem at hand and the greatest susceptibility to external pressure”[65].

The examples of brand jacking are many. One of the earliest cases dates back to 1991, when labor activist Jeff Ballinger was working on a report for the Asian-American Free Labor Association (AAFLI) on labor conditions and wages at Indonesian factories. He decided to choose Nike to “capitalize on Nike’s brand name to catch greater public attention” on the labor abuses in overseas factories. The decision turned out to be powerful. It generated enormous public outrage. In the following year, Ballinger’s article in *Harper’s* fuelled public protest against Nike. In the article, he compared Michael Jordan’s Nike contract to an Indonesian factory worker’s pay and noted that it would take 44 492 years to earn Jordan’s pay. After the article, Nike was widely known and protested for its “sweatshops”, most notably at the 1992 Barcelona Olympics.[66]

Anti-globalization groups like to campaign against McDonalds for the same reason. Because they take the company to represent the institution of multinational corporations, they use it to draw attention to their causes. According to the McInformation Network,

[63] Yajini & Doh 2009.
[64] Taylor & Scharlin 2004, 3-4.
[65] Spar & La Mure 2003.
[66] Spar & La Mure 2003.

> "Yes, we appreciate that McDonald's only sell hamburgers and loads of other corporations are just as bad. But that's not the point. They have been used as a symbol of all multinationals and big business relentlessly pursuing their profits at the expense of anything that stands in their way."[67]

As a result of these campaigns, the private sector is struggling with new normative expectations and dealing with pressure to live up to these expectations. Many corporations have altered their behavior to bring it in line with the NGOs mandate. Corporations seek to show their customers that they have responded to these pressures as consumers are increasingly asking who is behind the brand.[68]

Much has changed also in the ways NGOs work with corporations to influence change. In addition to that they have been successful in framing new expectations on how corporations should behave to be socially and environmentally responsible. NGOs need to be able to deliver on their promises. They therefore have become increasingly mature in their tactics of how they engage companies to change harmful practices. Whereas in 1960s activists pressured Dow Chemicals to stop producing napalm and framed their argument exclusively in moral terms, environmentalists are now often working inside the company to show how reducing environmental impacts will also save money. Many investors also use business interest argument when they ask corporation to act more responsibly on the grounds that doing so reduces their costs and increases profits.[69]

Simultaneously, it has become much more difficult for companies to ignore the external normative pressure they have become exposed to. Media distributes horrific images of environmental violations and abuses of mistreated workers around the globe in instant time and helps tell stories that shock people. These stories continue to be told, and people will learn more

[67] Quoted in Yaziji & Doh 2009, 65.
[68] Vogel 2005.
[69] Vogel 2005; Aromaa, interview in March 2011.

about child labor, physical violence, and unsafe and unsanitary working conditions along with other failures such as providing adequate wages to workers, animal cruelty, sexual harassment and environmental degradation. Social media has made it easy for people to protest these wrongdoers.

Diffusion of Corporate Social Responsibility

By directing their attention to unethical behavior of multinational corporations and making sure that the world knows about it, NGOs are doing their traditional job as "norm entrepreneurs" as they seek to persuade other people to accept new norms[70]. They are actors in world affairs that practice "civic intervention" as they are working to change understandings, interpretations, and behavior of other actors, and thereby creating, institutionalizing and monitoring norms.[71] Since Seattle the norm of corporate social responsibility has been diffused through these norm entrepreneurs and the norm is increasingly shared by states, civil society and the corporations themselves.

This is reflected in the success of NGOs in keeping social and environment issues on the global agenda and corporate misbehavior under the public eye. International environmental and labor treaties as well as international agreements and guidelines to corporations have also been issued. Those include the International Labor Union (ILO) labor standards and the Organization for Economic Cooperation and Development (OECD) guidelines for multinational corporations

[70] Finnemore & Sikkink 1998.
[71] Wapner 1996.

that encourage companies to follow guidelines covering nine aspects of business conduct, including disclosure, labor relations, the environment and bribery. In some cases international organizations are also able to exercise economic leverage over a company. For instance, the International Financial Corporation (IFC), the only body of the Word Bank group's mandated to formally engage with the private sector, has attached social and environmental conditions to its loans.

In July 2001, the European Commission (EC) published a Green Paper to launched a debate on how the European Union (EU) could promote corporate social responsibility at both the European and international level. A year later, in July 2002, the EC proposed a strategy to enhance the involvement of business in sustainable development and the establishment of multi-stakeholder forum. The first forum took place in 2002 and has since gathered together companies, NGOs, trade unions, investors and consumers.[72]

Also collective institutions have evolved to help corporations with their corporate social responsibility. One of the largest ones is the United Nations Global Compact (UNGC), which is an attempt to lay the foundations for a partnership between the United Nations (UN) and the international business community. It was launched at the G-7 meeting in Davos, Switzerland in January 1999 by Mr. Kofi Annan, the former UN Secretary General. It aims to encourage corporations to engage in dialogue and learning around the issue of corporate social responsibility and to establish a global corporate social responsibility network based on a pledge by member companies to commit to ten principles. Those principles cover human rights, labor standards, the environment, and anticorruption.[73] According to Mr. Annan,

> "Globalization is a fact of life. But I believe we have underestimated its fragility. The problem is this. The spread of markets outpaces the ability of societies and their political

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[72] Gonzales-Perez & McDonough 2005.
[73] Bremer 2008, Runhaar & Lafferty 2009.

> systems to adjust to them, let alone to guide the course they take. History teaches us that such an imbalance between the economic, social and political realms can never be sustained for very long. The industrialized countries learned that lesson in their bitter and costly encounter with the Great Depression. In order to restore social harmony and political stability, they adopted social safety nets and other measures, designed to limit economic volatility and compensate the victims of market failures. That consensus made possible successive moves towards liberalization, which brought about long post-war period of expansion. *Our challenge today is to devise a similar compact on the global scale, to underpin the new global economy*."[74]

In December 2010, over 5 300 businesses from 130 countries have joined the initiative[75]. Other significant and widely spread collective action institutions include the Global Reporting Initiative (GRI). It provides a list of indicators for reporting on companies' social, environmental and economic performance. The International Organization for Standardization (ISO) has also developed a standard for corporate social responsibility, ISO 2600 standard, which entails a set of operational guidelines for a global corporate social responsibility. Also, the International Business Leader Forum (IBLF), the International Chamber of Commerce (ICC) and the World Business Council for Sustainable Development (WBCSD) have been promoting corporate social responsibility at the international level.

There has also been a visible increase in voluntary certification institutions almost in all industries. Companies join these private self- and co-regulation initiatives and institutions to gain reputational benefits associated with memberships[76]. These certification institutions provide guidelines as policy tools to set general principles and goals for a company's daily practices and regulate labor and environmental conditions in workplaces supplying multinationals[77]. The most successful ones have been the Forest Stewardship Council (FSC) and the Marine Stewardship Council (MSC). By 2006, FSC has certified over sixty-eight million hectares of responsibly

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[74] United Nations 1999, emphasis added.
[75] www.unglobalcompact.org
[76] Lischutz & Fogel 2002.
[77] Jenkins et al. 2002.

managed forest, altogether 775 forests in sixty-six countries, according to its responsible forest management criteria. MSC was found in 1991 to protect fish stocks. The Extractive Industries Transparency Initiative (ETI) is a coalition of nineteen major oil, gas and mining companies to discourage corruption with a mutual agreement of full public disclosure and verification of all corporate payments to governments in the countries. Fair Labor Association (FLA) was formed in late 1990s to set up standards to labor issues as a response to the growing critics of the apparel companies such as Gap, Nike and Reebok on the conditions of their factories overseas.

Individual companies have also begun to consider the social and environmental consequences of their activities and take action to improve them[78]. Many corporations establish codes of conducts and guidelines for ethical behavior. For instance, Levi Strauss uses "Global Sourcing Guidelines" to ensure that its sourcing partners scattered throughout Latin America are ethical. *The Economist* described the trend in January 2005:

> "Today all companies, but especially the big ones, are enjoying from every side to worry less about profits and to be socially responsible instead. Surprisingly, perhaps, these demands have elicited a willing, not to say avid, response in enlightened boardrooms everywhere: companies at every opportunity now pay elaborate obeisance to the principle of CSR. They have CSR officers, CSR consultants, CSR Departments, and CSR initiatives coming out of their ears."[79]

The amount of research and conferences around the world devoted to corporate social responsibility and the list of companies that run social and environmental programs and report about them annually all reflect the fact that companies view conformance to the norm increasingly important. In 2005, eighty-one percent of executives surveyed said that corporate social responsibility is essential to their business.[80] Five years later, an UN-related study found that ninety-three percent of business leaders think that the way how they respond to these issues

[78] Shanahan & Khagram 2006, Ruggie 2004, Vogel 2005.
[79] The Economist, 22 January 2005, 11.
[80] Blowfield & Murray 2008, 10.

is important to the success of their business, some of them think that they are critical to the continuity of their business[81].

Since 1980s onwards, there has been a visible growth in number of corporations voluntarily communicating about their social and environmental impacts issuing reports and reviews in line with general ethical values, following international standards such as GRI and Environmental Management System (EMAS). In 2005, sixty-four percent of the 250 largest corporations published corporate social responsibility reports[82], while in 2008 eighty-nine companies out of a hundred largest companies in the world by revenue published a corporate social responsibility report[83]. In addition, many have sought to have their production processes certified by independent parties as socially and environmentally sound. Many corporations also report their greenhouse gas emissions and mitigation efforts.[84]

All these developments suggest that corporate social responsibility has emerged and is increasingly shared by different societal actors. What constitutes a responsible corporation is thus defined by external groups who regard company as responsible when they perceive that it is taking responsibility for its negative impacts on society. New institutions have been created because corporate communication cannot command credibility with NGOs and other groups skeptical of corporate motivations.

And to be sure, skeptical views exist and remain strong. Many of the skeptics question the motivation of corporations to commit to practices that systematically hurt their own ability to produce profits. Despite extensive commitments to sustainability via corporate social responsibility policies and engagements in multi-stakeholder initiatives and programs, these

[81] Lubin & Esty 2010.
[82] Kolk 2008.
[83] PWC for TEEB 2010.
[84] Pattberg 2004.

critical views are often legitimized. The track record on corporate abuses is long and many companies maintain their bad behavior even if they are publicly committed to responsible practices. Many companies have been found guilty of greenwashing.

A part of the NGO community remains very skeptical to the level of commitment of corporate self-regulation and to social and environmental reform in general[85]. Friends of the Earth claim that corporations that are publicly engaged with corporate social responsibility "can create the perception that it is implausible that such companies are involved in social and environmental malpractices"[86].

CAI claims that particularly multinational corporations often "get away with the serious harm they inflict on people and the environment because they use their influence to block or eliminate proposed public protections and promote and enact policies and regulations that benefit them at the expense of the public good".[87] According to CAI, only few voluntary self-regulation initiatives have led to some improved corporate conduct and as a governance model they are "inherently and seriously flawed and are not a substitute for binding and meaningful mechanisms for real oversight". CAI stresses that because partnership concept has an obvious appeal, "the very concept implies a cessation of hostilities and the commencement of efforts towards a common goal based on shared beliefs and objectives" and … "equal roles in public policymaking for governments and business as well as joint decision-making", and this "ignores or downplays the need for safeguards against conflicts of interest". CAI stresses that these roles should not be equal, because "each sector has its own role to play in society at large and the increased use of partnerships as a tool for mediating governance dilutes governance itself, pre-empts robust

[85] Zerk 2006.
[86] Friends of the Earth Netherlands 2010.
[87] Corporate Accountability International 2010.

governance, and creates a race to the bottom, masked as increased corporate social responsibility."

Therefore, CAI has strongly criticized for instance UNGC for "vague and undefined principles" and for the lack of "consistent accountability mechanisms". This has, according to CAI, allowed a number of UNCG signatories, including Nestlé, Bayer, Souza Cruz[88], PetroChina (CNOC), Chevron, Shell and BP, to remain within the initiative, despite "being subject to NGO pressure campaigns, systematic exclusion from socially responsible investment portfolios and concerned responses from corporate shareholders because of their continued violations of human rights and environmental sustainability standards".[89]

The Polaris Institute, another NGO skeptical about corporate social responsibility, argues that the UNGC gives corporations the opportunity to "wrap themselves in the blue flag of the United Nations without taking solid action to support UN rights based mandates", and thus obtain more benefit from these close relationships than the UN and its member states. It claims: "The UN has ventured a long way down the road of business partnerships and private financing to the point where cooperating with business and using corporate funding has become a fundamental cornerstone of the entire institution."[90]

Hence, corporate social responsibility will clearly remain controversial, as it is likely that many companies will continue ignoring the social and environmental consequences of their practices, while others seek to bear responsibility over them. If it would be a self-evident issue, there would be no corporate abuses and shocking headlines. However, there is still strong evidence that corporate social responsibility has become increasingly important.

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[88] A subsidiary of British American Tobacco.
[89] Corporate Accountability International 2009.
[90] Polaris Institute Report 2009.

Existing Research and the Aims of This Study

Even though NGO-business partnerships represent a new way to tackle social and environmental challenges, there is surprisingly little research on the topic in international relations and social sciences more generally[91]. The research on NGO-business partnerships is still in its infancy and key research gaps remain. Current research mainly concentrates on the above-described emergence of the new voluntary rules and issue-specific certifications designed to achieve corporate compliance with new transnational social and environmental rules[92]. The above-mentioned World Commission on Dams has been the often-used example, as it has been created to generate standards for the construction, operation, and shutdowns of large dams.[93]

Because the compliance is assured not by the rule of law, but by implementation and monitoring procedures to which the signatories have agreed upon, scholars have emphasized that these new partnerships represent a shift from public to private forms of governance[94]. Partnerships thus represent a "hybrid type" of governance functions, in which non-state actors co-govern along with state actors for the provision of collective goods, and thereby adopt governance functions that have formerly been the sole authority of states[95].

Rationalists explain that this is either related to the governance gaps associated with globalization and the incapability of governments and international organizations to solve them[96]. Explanations that stress the rational actors' tactic to obtain resources that they would not

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[91] Dashwood 2007; Hirschland 2006.
[92] Pattberg 2004, Reinicke & Deng 2000; Börzel & Risse 2005; Schaferhoff, Campe & Kaan, 2009; Blowfield 2007; Newell 2005; Nelson 2007, 7; Ruggie 2004; Benn & Dunphy 2007.
[93] Khagram 1997.
[94] Traditionally, business has been in the marginal interest in international relations where it has typically been regarded as a subject for regulation rather than an aspect of governance in its own rights (Blowfield 2005; Detomasi 2007).
[95] Schäferhoff, Campe & Kaan 2009.
[96] Clapp 1998; Garcia-Jonhson 2000; Reinicke et al 2000; Ruggie 2002; Warner & Sullivan 2004.

otherwise have are also common[97]. Self-regulation is seen more flexible and more easily adjustable to changing social, economic and technological circumstances than regulation by governments.

Constructivists[98], in turn, view that there is a new "global public domain" emerging in which a normative structure shapes the identity and interests of actors. According to John Ruggie[99]:

> "It is not that there has been an actual shift away from public to private sectors, but instead firms have created a new transnational world of transaction flows that themselves and for reaction to with their subsidiaries, suppliers, and distributors that they deem necessary given the scope, pace, and complexity of operating in those transnational spaces. Companies have gone global and function in near real time, leaving behind the slower moving, state-mediated inter-national world of arms-length economic transactions and traditional international legal mechanism, even as they depend on that world for their licenses to operate and to protect their property rights."

Within it the production of collective public goods is no longer the responsibility of states alone but is increasingly accomplished by NGOs and corporations that have accepted responsibility for the provision of collective goods, and are responding to the expectations generated in this new institutional arena.

For neo-Gramsian scholars[100], the emergence of voluntary institutions is a political strategy through which business aims to secure corporate hegemony. It is a way to reduce the pressure for statutory legislation, and further legitimize globalization. Partnerships emerge to reproduce a corporate-friendly environment, as corporations need to react to these pressures from the anti-globalization movement. Corporations therefore proactively create strategies to demonstrate their

[97] Reinicke et al 2000.
[98] Ruggie 2004; Pattberg 2004.
[99] Ruggie 2004.
[100] Andonova & Levy 2003; Newell 2005; Ronit & Schneider 1999; Utting 2002.

corporate social responsibility to maintain their hegemonic stability.[101] According to Ronit and Schneider[102], the voluntary adoption of a Code of Pharmaceutical Market Practices of the International Federation of Pharmaceutical Manufacturers Association is an example of such self-regulating through partnerships. They argue that such code has been established to avoid further regulation of marketing practices after WTO had decided a code of ethical and scientific standards.

Despite different theoretical explanations, private governance approach still says actually very little about the impact of corporate social responsibility as an emerging international norm on corporate behavior at the corporate strategy level. It is therefore weak in explaining how the diffusion of the norm in the market place has changed corporate cultures and behavior. It does not say much about how each actor partners with another to translate the emerging norm of corporate social responsibility into mutually beneficial concrete objectives to achieve its goal while at the same time helping the other partner to achieve its goal. Furthermore, the research lacks understanding of the societal impacts of corporate social responsibility at the community level. The empirical evidence of the social benefits are little discussed, e.g. what the beneficiaries of the cooperation gain in concrete terms.

The private governance approach thus contributes very little to our understanding of how actual collaboration within a partnership context can advance each actor's own agendas. Nor does it explain how companies review their relation to society. It is therefore incapable of providing a comprehensive explanation for why companies adopt corporate social responsibility. Moreover, it does not explain why and how they differ in their corporate social responsibility policies and programs.

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[101] Uttig 2002.
[102] Ronit and Schneider 1999.

In addition to the popular private governance approach, only few international relations scholars have studied NGO-business partnerships under the topic of corporate social responsibility. The existing literature remains illustrative and conclusive[103]. According to Michael Blowfield, this research has primarily concentrated on the impacts of individual companies' environmental footprints or economic benefits. It therefore tells very little about the actual relationship between society and business, and the consequences of corporate social responsibility for the intended beneficiaries in whose name it is being conducted[104].

Moreover, the research is also often divided in two parts roughly along the lines of the proponents of corporate social responsibility and its opponents. This makes much of the research highly normative in nature and weakens its explanatory power. The proponents view corporate social responsibility as a positive trend, and stress the positive effects of such networks in humanitarianism[105], human rights[106], environmental issues and international development[107]. The opponents in turn are neo-Gramsians who argue that corporate social responsibility only strengthens the role of the powerful corporations[108]. Newell argues that companies build their reputations as "good corporate citizens while performing poorly away from the limelight"[109].

The question of what kind of engagement strategies between NGOs and companies exist and why is still most neglected[110]. Given that there are different NGOs and different companies, partnerships should and do vary considerably. In fact, the empirical evidence suggests that some

[103] Blowfield 2007.
[104] Blowfield 2007.
[105] Barnett & Weiss 2008.
[106] Ruggie 2006.
[107] Binder, Palenberg, and Witte 2007; Therien & Pouliot 2006.
[108] Newell 2005.
[109] Newell 2005.
[110] Shumate & O'Connor 2010.

partnerships are looser alliances than others; some are fixed-term projects while others reflect deep mutual trust and commitment in achieving their respective goals[111].

Naturally, partnerships that are built upon both organizations' long-term strategies are rooted in new collaborative mindsets that are new to both NGOs and companies. These partnerships require deep organizational learning processes through which each side learns to respect the other side and view it as a significant strategic partner that can be trusted[112]. This takes a long time, as typically both sides are initially skeptical towards each other. NGOs are skeptical because they tend to have a negative view of business and don't trust those who work for the companies they have seen as their enemy[113]. Companies often have a hard time understanding the business benefits of working with NGOs. For them, reconciling private business goals and public social purposes is a long process that may involve re-consideration of the use of human resources to organize for improved responsibility. It often involves identifying philanthropic, community, and voluntary programs for the company.

Taking the research further, it is thus important to look what kinds of different partnerships exist and to look at the outcomes of different engagements. It is important to evaluate not only whether these engagements are win-wins or win-looses between different actors, but also to analyze the reasons why NGOs and businesses work together in a certain way. In order to fully understand the phenomenon, we need to go beyond the normative judgment of corporate social responsibility and to pay more attention to why NGOs and companies tackle same problems and in what forms. Why do they have interests to tackle same problems, and what do they gain from building a specific type of partnership? This is important as both sides have had to learn to listen and share in a world view which at first they have found difficult to accept. Furthermore, what

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[111] Yaziji & Doh 2009, 175.
[112] Senge et al. 2007; Wadman 2000.
[113] Argenti 2004.

does a specific type of partnership provide to the parties involved that they choose it as their engagement form? What trade-offs do they make by choosing a specific type of engagement? The main questions this study seeks to answer are:

Why do partnerships vary? What accounts for the differences between the depths of cooperation? Why do some companies develop deep partnerships with NGOs and others settle with fixed-form projects? What is the reason for such variation?

The Argument

This study argues that corporations primarily care about corporate social responsibility because there are strong materialistic motives that are associated with the social and environmental consequences of their activities. They thus use the norm to further their materialistic interests. But how they use it depends on how much the company is exposed to *harmful* external normative pressure and how *vulnerable* the company is to that pressure to change its processes and practices. The study argues that the more a company is vulnerable to normative pressure it faces, the more likely a dialogue with the external groups is deemed necessary to turn adversarial relations into constructive ones, and thereby the deeper it is likely to engage with NGO or NGOs to demonstrate its conformance to the norm to ease the pressure.

Hence, the need of companies to redefine their relationship with society varies. Due to this variance there are different NGO engagement strategies to “do the trick”. It thus depends on the ability of external groups to put corporations under costly and harmful campaigning that hurts their bottom line. In a nutshell, the underlying argument of this study is that corporate vulnerability to harmful external normative pressure determines the engagement strategies. Corporations carefully weigh the material incentives associated with the social and environmental consequences of their activities, and are likely to choose a particular type of engagement strategy accordingly.

The study assumes that *all* multinational corporations are vulnerable to societal expectations of what is considered socially and environmentally responsible. It argues that this vulnerability varies and takes three levels: *low* vulnerability, *process* vulnerability, and *systemic* vulnerability. Low vulnerability refers to conditions under which companies *do not* operate under harmful normative pressure, while medium and high vulnerability refer to conditions under which companies *do operate* under harmful pressure. The category of low vulnerability incorporates both companies that are *not harmed* by the societal expectations on how they should be behaving as well as companies that *have been harmed before* but have managed to improve their practices and regain back their lost normative legitimacy. These companies are generally regarded as *good corporate citizens* and they do not therefore operate under harmful pressure. However, they operate under low vulnerability, as they constantly need to live up to quickly changing societal expectations on corporate behavior in order to maintain their good relationship with the society.

In turn companies that operate under harmful pressure include companies that *negatively affect* the communities where they operate in and the nature, and their actions are therefore *defined unethical* by the society, hence the external groups *have called into question* the terms of their social license to operate, despite their legal permits. As discussed above, these external groups in society are various NGOs that work to change these companies' practices by framing issues to make them comprehensible, to attract maximum attention and encourage action against these companies both within their own networks and within the markets by using market mechanisms such as pressuring shareholders, investors and consumers. All this seriously harms the normative legitimacy of these companies, their brand reputation, and profit potential and in many cases causes considerable confusion, conflict and economic losses.

Furthermore, companies that operate under harmful pressure are distinguished by their vulnerability, because the level of vulnerability is here predicted to explain their varying motivation to engage in partnerships with NGOs. These companies can be distinguished into two groups: companies that have unethical processes and companies that are systemically dependent on the declining natural resources – the commons. The companies are operating under *process vulnerability* and *systemic vulnerability*, respectively.

The difference between these types of vulnerabilities is that process vulnerability is not systemic in nature and it can be fixed by improving the internal processes, while systemic vulnerability makes the company highly dependent on the community it operates in and its natural resources, thus its relationship with the community becomes critical to the continuity of its business. The study argues that the more a corporation is vulnerable to external normative pressure, the more it is likely to seek NGO-engagement to ease that pressure to ensure its legitimacy that is threatened by the confrontation. The depth of engagement as a dependent variable is thus explained by the level of vulnerability as an independent variable.

Contribution

This study explains that companies choose a particular type of partnership because their level of vulnerability to external normative pressure varies. Because the literature of NGO-business relations lacks understanding on how and why partnerships vary, the study thus contributes to it by providing an explanation why NGOs and companies choose different kinds of engagement forms, hence why the partnerships they form differ from each other in scope and scale.

More specifically, the study introduces three types of NGO-engagement strategies that companies choose, and explains the conditions under which companies are likely to choose a particular type of engagement strategy to achieve their goals. The study shows that companies that operate under the lowest level of vulnerability, hence under low vulnerability, are likely to form *symbolic partnerships* with NGOs as symbolic gestures to further demonstrate their conformance to the norm of corporate social responsibility. In turn, the two other types of vulnerabilities are likely to lead companies into much deeper forms of cooperation with NGOs. More specifically, companies that become attacked by NGOs because of their unethical processes are likely to form *instrumental partnerships* with NGOs in which the partnership is an instrument to improve the poor corporate practices. Companies that are systemically dependent on declining natural resources operate under highest level of vulnerability and are therefore exposed to constant and bitter campaigning by groups that claim for the community rights over the commercial use of those resources. Systematically vulnerable companies are likely to form *pioneering partnerships* with NGOs in which they cooperate closely with NGOs to search for solutions to solve the conflict with the community in order to earn back their lost normative legitimacy. In discussing these issues, the study takes us further in explaining why companies conform to the corporate social responsibility norm in different ways and how their engagements with NGOs reflect those differences.

The study also contributes to our understanding of international cooperation, and especially **how change happens**. It contributes to our understanding of how NGOs and companies engage in dialogues and why they turn controversial relations into constructive ones, and what kinds of interaction between them exists and what they gain from those different types of interaction.

The study also discusses the emergence of the norm of corporate social responsibility. It explains why the norm is spreading across the world and why companies conform to it, hence what drives their conformance to norm compliance.

These questions are important not only because cooperation in important social and environmental issues is often regarded desirable, but also because there is relatively little research on corporate NGO-engagements from the point of view of corporate social responsibility. New research on why actors cooperate, how they work and what kinds of impact they had is needed in order to understand this new transnational phenomenon.

The Question of New Form of Transnational Relations

According to Sandler[114], "collective action arises when the efforts of two or more individuals are needed to achieve an outcome". In collective action, efforts of one individual influence the actions of the other individuals. NGO-business partnerships reflect thus clearly a

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[114] Sandler 2007, 17.

new phenomenon in transnational relations[115]: a raising number of NGOs have chosen to help companies take additional social or economic goals beyond their mere financial goals and by so doing corporations are helping NGOs to achieve their respective goals. According to Schwesinger Berlie, NGO-business partnerships are specific insofar as they present a “significant evolution in the types of relationship between these two parties, which have traditionally been characterized by confrontation, mutual ignorance or, when they tended towards cooperation, sponsorship.”[116]

In the tradition of international relations, it has been characteristic to view civil society and the private sector as conflicting, if not antagonistic players in international arena[117]. This division has been based on a clear analytical bifurcation of ideas and interests in which principled goals track with ideas and norms and instrumental goals track with interests, mirroring the traditional distinction between the rationalist versus constructivist camps[118]. Research in transnational relations has been mainly interested in explaining transnational activism[119], transnational advocacy, and transnational coalitions[120]. These groups coalesce around ideas or a collective commitment to some shared belief or principle[121]. The private sector, in turn, has been viewed in opposition: the negative social and environmental implications of large foreign investments that multinational corporations and their overseas operations have conducted became highly controversial issues in 1970s and in 1990s.[122]

Now the visible proliferation of action-oriented NGO-business partnerships suggests

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[115] Transnational Relations are ”regular interactions across national boundaries when at least one actor is a nonstate agent” (Keohane & Nye 1971).
[116] Schwesinger Berlie 2010, 9.
[117] Jarvis 2005; Murphy & Bendell 1997; Doh & Teegen 2003; Kourula 2009.
[118] Goldstein & Keohane 1993.
[119] Keck & Sikkink 1998.
[120] Price 2003.
[121] Keck & Sikkink 1998.
[122] Hirstland 2006.

melting of this sharp contradiction. Although NGOs are ultimately driven by idealistic goals that they also impose on corporations, many of them are today oriented towards business. They view big corporations as having the money and the power to be major change agents, especially as their dominance and influence begin to exceed those of many other institutions in the world[123]. NGOs also engage in corporate partnerships to purely enhance their standing and influence[124]. Because NGOs have increased in number and weight, they are increasingly competing with each other for resources, contracts for work, donor money, media attention, and reputation[125]. They are also accountable to their financial contributors, board members, executives, staff and beneficiaries, and corporate partnerships can maximize their influence. Although a close partnership with a company often means extra funding and media coverage, many NGOs seek a direct access to influence a company's internal decision-making processes.[126]

Studying what kinds of action-oriented NGO-business partnerships exist and why they vary is important to our understanding of the changing dynamics of society and business and the form of cooperation. Why has the relationship intensified between the sectors that have traditionally been in conflict with each other, and why have these two sectors converted? What does this tell us about NGOs as "change agents", and their power to force change?

[123] Taylor & Scharlin 2004.
[124] Crutchfield & McLeod Grant 2008.
[125] Boli & Thomas 1997; Cooley & Ron 2002.
[126] Elkington & Fennell 2000; Taylor & Sharlin 2004.

The Question of Emerging Norm of Corporate Social Responsibility

In the core of studying the different ways NGOs and companies collaborate, it is a question of why corporate social responsibility as an international norm is changing corporate behavior, and how. By looking at the different types of corporate NGO-engagements, the study contributes to our understanding of why do companies increasingly conform to corporate social responsibility and what motivates them to do so. Do companies conform to it because there are rational reasons involved or do they do it for merely altruistic reasons? In other words, to what extent can it be argued that there are norm-based reasons for corporations becoming more responsible?

Corporate Social Responsibility Defined

There are different definitions of corporate social responsibility[127]. This study draws from the EU's definition, according to which corporate social responsibility is understood as the voluntary integration of social and environmental concerns into the business operations of companies and their external groups.[128] At a minimum, it can be viewed as a cluster of a company's policies, programs, and outcomes that are beyond the requirements of law.

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[127] Hirschland 2006.
[128] Commission of the European Communities 2002, 3.

NGO-Business Partnership Defined

What is common to all NGO-business partnerships is that they are agreements between parties to jointly advance an agenda in which both parties share an interest. Hence, this study builds on the often-used definition of a public-private partnership by Olson[129]. According to Olson, a partnership is "a form of collective action in which otherwise independent organizations join forces in pursuit of a common objective." This definition is descriptive as it highlights the interdependency between the partners. Among many others, Alter and Hage[130] argue that the "perceived need" and "willingness" of organizations to collaborate with each other are the underlying conditions for any collaborative partnership between two or more organizations. Glendinning[131] highlights that partnership between organizations, groups or agencies is a relationship in which one or more common goals, interests and or dependencies are identified, acknowledged and acted upon, but whereby the autonomy of the partner organizations can remain unchanged.[132]

Building upon these definitions, an action-oriented NGO-business partnership is defined here as a form of collaboration in which an NGO and a company have agreed to work together towards a common goal to advance a social or environmental cause or project which they both benefit from. That is, the collaboration is designed in ways that offer sufficient business as well as social gains to attract sustained NGO and corporate involvement. Partnerships represent thus a

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[129] Olson 1965.
[130] Alter and Hage 1993.
[131] Glendinning 2002.
[132] This excludes more than simple contractual relationship between purchasers and providers, typical to partnerships within local communities. The New Labour Government in England and its famous public-private partnership program is an example of the former type of partnership work, which has been common for local governments in 1990s. The Labour Government programmed to see greater use being made of the private sector as a supplier of publicly funded services and thus boosted these kinds of partnerships, to whom partnership working represents disavow of the politics of the left and right but a "third way". (Giddens 1998)

new way of collaboration in areas where an organization would not be successful by acting alone. They build on the idea that each sector has core competencies and resources that are complementary to one another. Partnerships are based on "discussing, promoting and establishing solutions to global issues", and they thus go beyond traditional philanthropy[133].

Next the methodology of the study is introduced. The study is designed to explain why NGO-business engagements vary. It introduces three types of NGO-engagement strategies that companies choose and points out the differences between the conditions under which companies and NGOs are likely to choose a particular type of engagement strategy to achieve their respective goals, hence the link between the level of vulnerability and the form of engagement strategy. Three empirical cases thus illuminate how each company conforms to the corporate social responsibility norm differently and how the engagement strategy it chooses reflects that difference.

Methodology

This study is a qualitative study, which is set out to investigate and explain the dynamics of the new relationship between NGOs and business. The study utilizes qualitative analysis of three case studies and explains why there are differences between NGO-business engagements. The three empirical cases were selected to explore the theory of NGO-business partnership developed in this study, with each case demonstrating one of the three types of partnerships. The cases illuminate the different levels of motivations that corporations have to engage with NGOs.

[133] Schwesinger Berlie 2010.

In addition, the cases are selected because there is very little international relations research on partnerships. It is hoped that this analysis will draw conclusions that enhance partnership scholarship and their work while also being useful for practitioners.

The case companies, Nokia, Chiquita and Coca-Cola, were selected according to the following criteria. First, they are all widely known consumer brands. Second, they are all large globally operating corporations. Third, each company runs programs with international NGOs. Hence, the selection of the three cases within the same timeframe and their goal of demonstrating the corporate social responsibility norm through partnerships enable this study to hold these and other important variables relatively constant.

The differences between the cases suggest that there will be differences in partnerships. Therefore the new patterns of interaction are explored inductively by studying three case histories of particular organizations engaged in partnerships. What are the reasons why each company has encountered NGO? What goals these engagements are designed to serve? How do these engagements differ?

In the empirical section, the method of process tracing is used to explore the types of partnership building suggested in my theory. In conducting the research, the study has relied upon “triangulation” of data, where multiple sources and types of data have been utilized. The data is drawn from a variety of primary and secondary documentation, including written and electronic documentation, media coverage and personal interviews. At the international level, information about international meetings, conferences, and agreements have been collected and evaluated through reports, meeting reports and press releases of key actors. At the organizational level annual reports, web site texts and media coverage have been analyzed. Interdisciplinary research texts and academic analysis are also utilized to provide insight into the issues themselves and the case study organizations.

Interviews with core representatives in all three case studies have been conducted both in-person and via phone and e-mail. These semi-structured interviews were designed to collect and elicit general background information about the individuals' and organizations' work on the issue and more specific information on the joint activities. The goal of these interviews has been to acquire non-published information about the internal dynamics of partnerships, including leadership roles, resource allegation, shared responsibilities, challenges of collaboration and conflicting views within organizations.

Plan of the Study

Explaining what kinds of NGO-business partnerships exist and why they vary requires discussion on the motives of partnering. This raises the following important questions: Why do corporations conform to corporate social responsibility as an international norm in the first place? How can we explain their conformance? Why do some corporations go deeper with their relationship with NGOs and engage with NGO activities than others? Why do we see engagements that just barely exceed the criteria for traditional corporate philanthropy, and why some corporations actively pursue large community programs targeted to make measurable improvements in the standards of local communities? The study is structured around these questions, and each chapter is designed to set light to these questions.

Chapter 2 is divided in two sections. The first section discusses the corporate motives by exploring the existing international relations literature on norm compliance. It reviews the rationalist and constructivist explanations, and concludes that corporate social responsibility as an international norm matters. This is because the norm has been increasingly recognized in the market place and is thus influencing the behavior of corporations. The evidence that corporations themselves had internalized the norm, as expected by constructivism, is too weak and therefore the constructivist argument about norm compliance is difficult, if not impossible, to establish. Drawing from rationalism, the second section of the chapter introduces the theory developed for explaining why partnerships vary.

The theoretical chapter is followed by three empirical chapters. Chapter 3 examines Nokia's NGO-engagement strategy as a prototype of symbolic partnerships, i.e. cases where a multinational corporation operates under low vulnerability and forms a partnership as a symbolic gesture to demonstrate the company's conformance to the norm of corporate social responsibility. The chapter discusses Nokia's corporate social responsibility policy as a brand insurance to operate in highly complex global market and the supporting NGO-engagements as the company's community programs of that policy. These engagements are designed to reflect the corporate good will, and thus to demonstrate that the company is a good corporate citizen in communities it operates in.

Chapter 4 examines Chiquita's engagement with the Rainforest Alliance as an instrumental partnership. The chapter explores the reasons why Chiquita became in the early 1990s vulnerable to the external normative pressure and how it harmed the company, and the decision that followed to partner with the Rainforest Alliance. The engagement was chosen to reduce the negative environmental and social externalities of the banana plantations after the growing local discontent and the raise of the political consumerism in Europe, a growing consumer interest of the ethics of food production and trade and buying decisions based on these values. NGO-business engagement is thus an instrument for the parties to improve Chiquita's dirty practices to increase the volume of the Rainforest Alliance's work to conserve tropical forests.

Chapter 5 examines Coca-Cola's engagement with WWF as an example of pioneering partnership between an NGO and a company. The chapter discusses how Coca-Cola became highly vulnerable to the pressure by the external groups, particularly in India, and the gradual understanding of the management that the external criticism and continuous NGO attacks are jeopardizing the company's business continuity. The chapter explores how these events led to an extensive partnership with WWF that not only aims to tackle the issues that threaten the company on ground but also creates notable societal benefits to the communities where Coca-Cola has business operations.

Chapter II

Why Do Partnerships Differ from Each Other?

Part One: International Norms Compliance – Two Explanations

The purpose of this study is to explain why do corporations choose different types of NGO-engagements, in other words why such partnerships differ from each other. In explaining the variation between the depths of NGO-engagement, the question of why corporations conform to corporate social responsibility as an international norm in the first place is critical. Why do corporations respond to the norm differently, and how the conformance to the norm can be explained? What explains this? And, how this is reflected by their NGO-engagement strategies?

This chapter reviews the literature and proposes its own answers to these questions in the light of the tradition of collective action. This tradition assumes that actors weigh both the probability and the consequence of their collective actions, and make decisions based on their estimations of gains. From this follows, actors conform to corporate social responsibility norm according to their self-interests. In the case of corporations, the primarily interests are materialistic. Because corporations are increasingly expected to behave in ways that do less harm to workers, communities where they operate in and the nature, corporations can no longer ignore the negative externalities they produce. When they are not living up to these normative expectations, they put themselves and their profits at risk. This is why many of them consider conforming to the norm a critical business issue.

Reviewing international relations literature on norm compliance, two explanations dominate. Rationalists have focused on coercion and cost-benefit calculations as drivers of norm compliance. This suggests that corporations are utility-maximizing agents who adopt norms based on their strategic choices shaped by their existing incentive structures. The literature lists that such possible influences include a range of political, economic and social risks that include the role of nationally and internationally based NGOs, the impact of government regulation and regulatory uncertainty, denial of operating permits, consumer boycotts and concern over a company's reputation[134]. Although all these factors are important, international relations scholars have mainly concentrated on the impact of NGOs, consumer boycotts, regulatory uncertainty, and natural resource constraints.

In his book, *The Market for Virtue*, David Vogel[135] argues that companies adopt corporate social responsibility only if it is important to their brand, or if they are subject to consumer, media or NGO pressure. The start of a corporate social responsibility policy often is triggered by a change in awareness by company leaders of developments in the operational environment and their impact on the organization[136]. Negative coverage in the press, pressure by NGOs or a significant consumer reaction can induce that decision in a reactive manner to take an increased interest in corporate social responsibility issues[137]. Corporations have thus strong interest in those issues, as they can only gain reputational benefits if they are sensitive to the public interests, while they conversely only can avoid negative reputational consequences if they are perceived as good corporate citizens[138]. According to *The Economist*:

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[134] Yaziji & Doh 2009; Stubbs & Cocklin 2006.
[135] Vogel 2005.
[136] Vogel 2005.
[137] Dashwood 2004.
[138] Schäferhoff, Campe & Kaan 2009, 462.

> "The kind of self-interest that advances the public good is rational and enlightened. Rational, calculating self-interest makes a person, or firm, worry about its reputation for honesty and fair dealing, for paying debts and honouring agreements. It looks beyond the short term and plans ahead. It considers sacrifices today for the sake of gains tomorrow, or five years from now. It makes good neighbours."[139]

The findings of Shanahan and Kragram support the rationalist argument that conformance to corporate social responsibility is driven by materialistic interests. They studied 600 articles of corporate social responsibility and found that almost two-thirds of all work since the 1970s dealt with the evaluation of the financial impacts. Their findings thus indicate that corporate social responsibility is primarily connected to maximizing profit or shareholder value.[140] van Huijstee & Glasbergen found that the strong impact of NGO campaigns made corporate representatives realize that specific external groups are able to put a company's continuity in jeopardy and a dialogue with these groups was deemed necessary to turn confrontation into collaboration[141].

Constructivism provides an alternative explanation to rationalist one. It emphasizes the process of social learning and socialization, and highlights how actors' interaction and social learning shape actors' interests, and how mutual learning and the selection of new preferences may lead to normative compliance[142]. Although the literature is mainly concerned with how state behavior is influenced by those shifting norms and the efforts of transnational advocacy networks, companies can be expected to respond to shifts with regard to acceptable corporate behavior. Actors thus comply because a rule is perceived as appropriate and ought to be obeyed.[143]

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139 The Economist 2005.
140 Shanahan and Kragram 2006. Also, Roberts 1999.
141 van Huijstee & Glasbergen 2008.
142 Risse-Kappen, Ropp & Sikkink 1991.
143 Daswood 2004.

By pressing the transformation of corporations through norm internalization[144], the constructivist approach brings valuable insights to our understanding of corporate social responsibility. First, it highlights the normative aspect of corporate social engagements. It views corporate social responsibility as a response to what is perceived as appropriate behavior, according to the "logic of appropriateness"[145], and thus stresses the conformance to corporate social responsibility more than just profit making activity by bringing the social content in it. Secondly, constructivists are interested in how social norms emerge and diffuse in a population and they emphasize the role of "norm entrepreneurs"[146]. These norm entrepreneurs advocate different ideas about appropriate behavior from organizational platforms that give their ideas credence. Norm entrepreneurs convince actors to change their ideas, and when a "critical mass" accepts the new ideas as appropriate, norm cascade (rapid diffusion) takes place. When the norm acceptance rate increases rapidly, norm contagion has evolved. The last step is norm internalization. Norms are then "so widely accepted that they are internalized by actors and achieve a taken for granted quality that makes conformance with norms almost automatic"[147].

This approach is engaged with explanations on how inter-subjective meanings of ideas, norms and values become "collective understandings" that can be regarded as collective intentionality. On one hand organizations are embedded in a dense network of international institutions that shape their perceptions, preferences, policies, and norms, hence leading to institutional "isomorphism"[148] across societies. On the other hand norms serve as collective expectations with "regulatory" effects on the proper behavior of actors with a given identity.[149]

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[144] Dashwood 2007.
[145] March & Olsen 1998.
[146] Finnemore & Keck 1998; Ruggie 2004.
[147] Finnemore & Sikkink 1998.
[148] DiMaggio & Powel 1983.
[149] Dashwood 2007.

Three Rational Reasons for Corporate Social Responsibility

In weighing these two explanations, vital evidence for the rationalist argument over the constructivism one can be found. First, corporate social responsibility has emerged as an international norm in the market place and increasingly challenges corporations to think twice about the social and environmental consequences of their activities. Second, there is a notable lack of trust in corporations and people are increasingly concerned of misbehavior of corporations worldwide. Third, the declining natural resources set new limitations on commercial interests and is bringing new obstacles to business continuity. Moreover, the natural resources are complicated by the classic “tragedy of the commons” dynamics, in which joint coordination and sacrifice are needed for the greater good, but in which every player has incentives to leave the sacrifice for others. According to this Hardian thesis (1968), multiple individuals acting interdependently in their own self-interest can ultimately destroy a shared limited resource even when it is clear that it is not in anyone’s long-term interest for this to happen.

Hence, these three facts create explicit and implicit societal expectations and constraints that are putting new limitations to corporate practices, and the significance of brands and reputation makes multinational corporations especially vulnerable to these external normative pressures. When external groups are delegitimizing companies by spreading information on the Internet and questioning the brands’ normative legitimacy to operate, they can significantly hurt the profits.

As the theory of collective action expects, actors weigh cost and benefit issues related to these developments, resource leverage, and diverse social pressures, and make decisions based on their estimations of gains. Next, the developments that have challenged companies to review their relation to society are discussed in more detail and the argument that the rationalist explanation provides a more sufficient reasoning for companies to conform to corporate social responsibility than the constructivist one is developed.

Corporate Social Responsibility in the Market Place

The fact that corporate social responsibility is gaining ground in the market place is reflected by a growing body of multi-disciplinary literature. The literature suggests that a company's ultimate success should be measured not just by the traditional financial bottom line, but also by their social and environmental behavior[150]. One element for understanding the change in the market place is found in the shift in consumer behavior. Public concern about environmental problems has developed rapidly after 1960s and raised by such important works as Rachel Carlsson's book *Silent Spring* (1962), The Club of Rome report *Limits to Growth* (1972), and the introduction of the concept sustainable development by Brundtland's Commission (1987)[151].

Recent studies show that increasingly informed shoppers pay careful attention to the social conditions the products are made in and what environmental impact the products have. Peattie defines green consuming as "the purchasing and non-purchasing decisions made by customers,

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[150] Baron 2009.
[151] Hassi, Kumpula & Riuttanen 2007.

based at least partly on environmental or social criteria"[152]. These people do not want to buy products that they know are made in sweatshops and they are increasingly concerned about the rights of local producers. They want to know whether small farmers are being displaced as land is increasingly turned over to production for export or other commercial purposes. They want to know whether rainforests and land have been cleared for commercial reasons such as for palm oil cultivation.[153] However, the studies also indicate that although these consumers prefer ethical goods and services, labels and fair trade certifications that enable them to make more informed choices, these expectations are not necessary transcribed into purchasing decisions[154]. However, this does not mean that corporate social responsibility has not emerged into the market place.

Investment communities also emphasize the ethical behavior[155]. There is growing evidence that institutional investors are increasingly reconsidering their investment approaches and they are seeking more responsible and sustainable forms of investing. [156] According to Booz & Company 2008 forecast, by 2015 fifteen to twenty percent of the world's assets under management will be managed according to corporate social responsibility principles. The rising number of signatories to the UN principles also exemplifies the growing interest for responsible investment. The most important principles concern the integration of environmental, social and governance (ESG) factors into investment processes and the need for engagement with companies.[157]

With shareholder resolutions investors are able to pressure companies to change their course. In 2005, over 360 different corporate social responsibility –related shareholder

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[152] Peattie 1995, 84.
[153] Roberts 1999.
[154] Green Living Pulse 2010.
[155] Juravle & Lewis 2008; Vogel 2005.
[156] Baron 2009.
[157] Booz & Company 2008.

resolutions were filed on issues ranging from labor conditions to global warming[158]. For example, investors have forced US electric utilities, American Electric Power and Cinergy, to be more transparent about their strategy and disclose their emissions and implementing emissions reduction programs and targets[159].

According to Waddock and Graves, companies with strong corporate social responsibility reputation can generate enhanced support from customers, employees, and investors[160]. The fact that consumers, investors and other important groups are demanding more responsible corporate practices is an important incentive to review the rewards of conforming to corporate social responsibility.

Lack of Trust in Corporations

The rise of economic liberalism and the spread of free market economy have generated economic wellbeing in many countries but also led to a growing public demand for more transparent corporate practices and accountability. Several studies report a growing public interest in corporate misbehavior and the public dissatisfaction with and lack of trust in companies as a consequence of the numerous scandals of the early 2000[161]. Awareness of the need for change has only grown in the wake of the recent subprime mortgage crisis[162].

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[158] Porter & Kramer 2006, 80.
[159] Pinkse & Kolk 2010, 74.
[160] Waddock & Graves 1997.
[161] Hisrschland 2006.
[162] Kourula 2009.

Also, as pointed out by Kourula, the popularity of movies like *Wal-Mart: The High Cost of Low Price, Enron, Black Gold, The Corporation, Supersize Me*, and books like *Fast Food Nation* by Eric Schlosser, *No Logo* by Naomi Klein, Noreena Hertz's T*he Silent Takeover: Global Capitalism and the Death of Democracy*, and *Corporation Nation* by Charles Derber, indicate the growing public interest in corporate behavior[163].

Declining Natural Capital Sets New Constraints

The third, and perhaps the most significant factor supporting the rationalist argument for norm compliance, is that international community has become increasingly concerned of the Earth's carrying capacity. The potential social and environmental threats caused by the declining carrying capacity along with climate change, water shortage and biodiversity crisis with the raising world population and economic growth has become one of the core global concerns[164]. It is expected that in 2050 the world population will exceed nine billion. There is scientific evidence that human activities produce climate change, particularly electricity generation, land use changes from deforestation, agriculture and transport. These changes are expected to accelerate over the coming years and resulting in the increasing severity of whether.[165]

The International Panel of Climate Change (IPCC) concludes that: "Water and its availability will be the main pressures on, and issues for, societies and the environment under

[163] Kourula 2009.
[164] WWF Living Planet Report 2010.
[165] Stern 2006.

climate change."[166] According to the United Nation's Development Program's (UNDP) 2006 Human Development Report "Beyond Scarcity: Power, Poverty and the Global Water Crisis[167], water reserves are already being used faster than they can be replenished, and over one billion people have no access to safe drinking water[168]. There are severe water shortages in India, many parts in Africa, and the Middle East, eastern Asia, and increasingly many parts of the southern and western USA. Furthermore, the demand for water will be more severe as the world population continues to rise and agriculture will demand more water. The World Commission on Water, established by the World Water Council (WWC)[169], has estimated that in 2025 some four billion people, almost half of the world's population, will be living in areas that will be "severely water stressed".[170]

Although the international community has set ambitious Millennium Development Goals (MDGs) of providing clean water and improved sanitation to at least half of the people worldwide, the work has proved difficult. This is because sustainable water management poses enormous challenges requiring mobilization of global capital — natural, social and financial — as well as wide consensus on the best ways to allocate these resources. Also, water and sanitation infrastructure provided across the world remain challenging development issues. Freshwater scarcity and growing water demand, underinvestment in infrastructure in both developed and developing countries, corruption, and controversy over the appropriate roles of the public and

[166] IPCC 2007.
[167] United Nations Development Program 2006.
[168] In 2000, the World Health Organization (WHO) estimated that 1.1 billion persons have no access to an improved water supply, able to provide at least 20 liters of safe water per person a day; 2.4 billion persons were estimated to be without sanitation. Further, 2.3 billion persons each year suffer from diseases linked to water. (UNDP 2006)
[169] WWC is co-sponsored by UNESCO, UNICEF and WHO.
[170] WRI 2010.

private sectors in ownership of water resources and responsibility for service delivery are major international challenges that remain to be solved.[171]

But it is not only water and climate change which threaten both people and businesses, an international concern for biodiversity loss is also growing. *The Economics of Ecosystems* (TEEB) study, published in 2010, stresses the significance of healthy ecosystems for human societies and that biological diversity (biodiversity) underpins human wellbeing. Biodiversity is defined as "the variability among living organisms from all sources including, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part of; this includes diversity within species, between species and of ecosystem".[172] The TEEB study was launched in 2007 by environmental ministers from the governments of the G8+5 countries in Potsdam Germany, to emphasize that serious consequences on society will follow as ecosystems become incapable of providing the goods and services on which hundreds of millions of people depend on.[173]

According to the study: "There is growing evidence that many ecosystems have been degraded to such an extent that they are nearing critical thresholds or tipping points, beyond which their capacity to provide useful services may be drastically reduced". Such thresholds have already been passed in certain coastal areas where "dead zones" exist. The study shows that a range of coral reefs and lakes are no longer able to sustain aquatic species, and some dry land areas have been transformed into deserts. Also some thresholds have been passed for some fish stocks. Another large international study, *The Living Planet Report 2010,* published by WWF, confirms that global biodiversity is being lost at a rate of many times higher than that of natural

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[171] WWC 2012.
[172] TEEB 2010.
[173] Bishop, interview in January 2011.

extinction due to land conversation, climate change, pollution, unsustainable harvesting of natural resources, and the introduction of nonnative species.

According to TEEB, these systemic issues affect the quantity and quality of *natural capital*, and thus present a whole new layer of operational constraints and normative challenges not only to the states and their institutions but also to businesses[174]. This is for at least two reasons. First, every business depends on biodiversity and the health of ecosystems. Many natural resources such as water, land, fish, non-renewable energy and some rare minerals that have in many parts of the world become increasingly scarce can thus seriously threaten many companies' business prospects, as scarce natural resources have become more expensive, and social unrest and conflicts occur over them[175]. Second, every business has direct or indirect impact on biodiversity and the health of the ecosystems. As the public perception for the urge for more sustainable solutions is likely to grow, companies that generate large externalities by the use of the commons are more likely to be spotlighted. Because these externalities concern a wide range of citizens and consumers, campaigns against them are more likely to gain resources and garner support[176].

Summing up, corporations that are dependent on the commons, hence systemic resources, that are declining are more likely to experience heightened social and environmental pressures to operate more responsibly. In many communities where natural resources are scarce, a corporation can experience risk of loosing its "social license to operate", that is its license to operate is no longer assured by governmental permits, but can be delegitimized by NGOs that are jeopardizing the company's business and in some cases even its continuity. Therefore, for

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[174] TEEB 2010; Senge 2008.
[175] WBCSD 2010.
[176] Yaziji & Doh 2009, 9.

companies that are dependent on these systemic resources, social and environmental issues have become a foundational business concern.

Flaws of Constructivist Explanations

Constructivism expects that organizations adopt norms through norm internalization and the norm then “guides” the behavior. According to Hevina Dashwood, the dissemination of global norm of corporate social responsibility is best conceptualized as a dynamic process, where corporations are playing a central role, often in conjunction with NGOs and states. Her empirical study concentrates on two Canadian mining corporations, Placer Dome and Noranda, which she views are not only reacting to global developments, but also actively constructing the norm of corporate social responsibility inside the industry. [177]

According to Dashwood, the companies have participated in shaping of these emerging global norms within the mining and metals sector and worked through industry associations and international organizations to promote standards of behavior applicable to the sector. The most salient example of this is the creation in 1991 of the International Council on Metals and the Environment (ICME) and in 2001 of the ICME’s successor organization, the International Council on Mining and Metals (ICMM). Through these efforts, she argues, the global norms have not “simply filtered down, but have also been shaped by companies themselves, in an interactive or dynamic process”.

[177] Dahswood 2007.

John Ruggie shares this view by arguing that partnerships offer "learning potential" for the partners involved[178]. In fact, many forums exist that have been developed to support companies in developing, implementing, and communicating about corporate social responsibility. For instance, the UNGC has been seen as a forerunner of these new social learning engagements, where civil society organizations are included in concrete projects with businesses without necessarily being formally accredited by UN organizations[179].

However, although many corporations are engaging in learning about corporate social responsibility and involved in specific organizations and forums that advocate the norm, it is yet unclear how they affect the member organizations. If the UNGC proves to be a learning forum to make corporations to comply corporate social responsibility, human right norms, labor and environmental standards will have to become a part of institutional system in which business operates. Mwangi and Schmitz[180] remain skeptical about the ability of the UNGC to make companies responsible. This is partly because they view that the initiator Mr. Kofi Annan is no longer in the leadership position, and thus no longer the main champion and entrepreneur of corporate social responsibility. They also argue that the UNGC does not provide a compelling learning environment for the needed socialization. Sandra Waddock has also noted that by 2002,

> "…hundreds of companies globally had submitted letters of commitment to upholding the principles of the Global Compact. But the Global Compact had not yet reached a 'tipping point'. One of the unspoken questions underlying the Global Compact conference, thus, was the fundamental question: what will it take to create this tipping point of corporate responsibility especially among US firms?"[181]

Bremer's study on UNGC confirms that although the UNGC is the largest system among collective action institutions for corporate social responsibility, it has not reached critical mass.

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178 Ruggie 2001.
179 Runhaar & Lafferty 2009.
180 Wagaki & Schmitz 2009.
181 Waddock 2004.

She found three reasons for it. First, limited penetration among the largest corporations, as only three percent of them are members. Second, the membership is heavily represented by Western European companies. Third, there are weaknesses in compliance with the reporting system.[182] Taken together, skeptics argue that the UNGC is merely window dressing and an opportunity to "bluewash" for the corporate sector. They argue that the UNGC would be more effective if it created monitoring systems to watch company compliance and enforced sanctions in cases of rule violations.[183]

The constructivism assumption, that the corporations that are committed to changing their practices through internalization of corporate social responsibility as an integral part of their decision-making process, seems to be difficult to establish. This would require a full-length norm internalization process, which in turn would require that all decisions within the corporation are made through "norm lens" and that all practices are consistent with the norm. In the case of multinational corporations, which operate in multiple countries and cultures and varying societal expectations and use multiple suppliers, such consistency with corporate social responsibility norm compliance is difficult, if not impossible, to track.

Furthermore, the capitalist logic of the maximizing profits seems to sustain strongly, even in the cases of most corporate social responsibility oriented companies. The blowout in the Gulf of Mexico in April 2010, which killed eleven men and spewed almost five million barrels of oil into the Gulf, illustrates this aptly. Until the accident, BP has been known for a decade long tradition of learning and commitment to corporate social responsibility to the extent that BP has

[182] Bremer 2008.
[183] Brühl 2007.

been recognized as a sustainability leader by many organizations and authors[184]. According to CEO Lord John Browne:

> "At BP, environmental and social responsibility is interwoven with operational and financial responsibility – treated with the same discipline, rigor and attention to detail…I believe we will build on our record and become what we aspire to be – a great company in a sustainable world".

The company has invested in renewable energy and has thrown large amounts of support behind ethics and compliance initiatives, including a written code of conduct for its 92 000 employees and significant reduction of green house gas emissions.[185] However, the recent allegations of misbehavior reveal that BP's commitment to take the norm of corporate social responsibility into account in all decisions and operations has been subordinated to the materialistic interests in cost of responsibility.

In its report, the seven-member national oil spill commission stated in January 2011 that the accident was an avoidable disaster caused in part by a series of cost-cutting decisions made by BP and its partners. According to the commission, a systemic management failure at BP, Transocean, and Halliburton caused the blowout as many of the poor decisions taken on the Deepwater Horizon drilling rig before the accident were taken to save time and money. According to the report: "Whether purposeful or not, many of the decisions that BP, Halliburton, and Transocean made that increased the risk of the Macondo blowout clearly saved those companies significant time (and money)." The report continues that: "BP did not have adequate controls in place to ensure that key decisions in the months leading up to the blow-out were safe or sound from an engineering perspective."

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[184] Vogel 2005.
[185] Vogel 2005.

As a result of the disaster, a civil lawsuit has been filed in December 2010 by the US Justice Department against BP, Transocean and other companies involved in the spill for damages to the environment. In addition, Gulf residents have filed hundreds of lawsuits for the lost of their livelihoods because of the spill. The report estimates that BP and the other companies could be liable for billions more in compensation to people who have lost money because of the oil spill, and for damage to natural resources.[186]

The BP accident hence demonstrates that even corporations that are regarded as corporate social responsibility champions make cost-benefit calculations involving their social and environmental impacts, and when unexpected accidents happen the consequences of their activities can be destructive to the system upon which many people relay on. So despite few companies that have been found for other than profit-making purposes, such as the Body Shop[187], corporate social responsibility seems to be connected to powerful material incentives that companies view worthwhile to take into account and take action accordingly. This is also why corporations are moving from confrontational relationship towards collaborative relationship with NGOs.

A Need to Reconsider the Relation to Society

Corporations are now facing increasingly complex challenges that go beyond short-term costs and benefits to complex social issues encompassing considerations of reputation, the

[186] National Commission on the BP Deepwater Horizon Oil Spil and Offshore Drilling 2011.
[187] Roddick 1991.

normative expectations of external groups and the public demand of more transparency as well as the impacts of climate change, declining natural resources and the declining quality of ecosystems.

As a result of this complexity, public goods are no longer free to the same extent than before. If public goods, such as clean water and air, have not previously been valued in monetary terms or priced in markets in the past, the situation is changing. The carbon trading system is an example of this development. Also techniques for calculating an economic price for forest are under development[188].

In other words, due to the growing public concern on the treatment of workers and the larger systemic inputs of corporations on the society's wellbeing by harmful environmental impacts and the use of the declining commons, companies confront risks that can hurt corporate legitimacy, and thus profits. The normative legitimacy is increasingly challenged if a company does not live up to the expectations of what is considered ethically right. As the Nike case illustrates, even though the company had not broken any laws, the activist campaigning against Nike for the inequity of workers resulted in customer boycotts and generated large-scale public outrage against the company.

The emerging norm of corporate social responsibility has thus influenced many corporations' calculation of their financial interests, and are now changing the ways companies view their relation to society. However, it should be emphasized that even if some corporations have changed their policies in response to evolving societal expectations about responsible corporate behavior, they are not genuinely committed to changing practices. This further supports the rationalist argument that corporations are using the norm to further their own materialistic interests.

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[188] TEEB 2010.

Existing Explanations of NGO-Business Partnership Types

The second section of this chapter explains why action-oriented NGO-business partnerships vary. Faced with increasing and rapidly evolving complex normative external expectations and pressures, companies need to review their relation to society and conform to the norm of corporate social responsibility by adjusting their activities according to the norm. One of the contemporary ways to demonstrate that they conform to the norm is to work with NGOs in important social and environmental issues. Companies gain in expertise in issues they do not have prior knowledge in and thereby gain credibility to their corporate social responsibility agenda. NGOs in turn get direct access to influence the company's decision-making from within and thereby maximize their impacts. The parties thus create win-wins, that is they design engagement forms that help both parties to achieve their own goals.

Companies thus seek NGO collaboration to demonstrate their corporate social responsibility. However, there is relatively little literature that explains what kinds of NGO-engagements a company is likely to choose. In *Alliances for Sustainable Development*, Laurence Schwesinger Berlie builds upon Elkington and Fennell[189], who argue that two characteristics are decisive: the *desirability* to work with civil society actors and the *willingness* to become part of the solution towards sustainable development instead of remaining part of the problem. Hence, according to Elkington and Fennell, companies that are open-minded towards working with NGOs and willing to offer their resources to find solutions to global challenges are more likely to seek partnering engagements with NGOs.

[189] Elkington and Fennell, 2000.

In her book, Schwesinger Berlie partly supplements this view, but adds a new dimension into the equation by stressing the importance of *vulnerability*. According to her, it is not so much about the mature alliance policy towards NGOs that accounts – as suggested by Elkington and Fennell - but *external pressures* that a company is exposed to. Her empirical findings suggest that companies that have been under confrontation seek NGO engagements. Hence, *vulnerable position* is a critical factor since the NGO can offer the company "valuable resources to compensate for this vulnerability". According to van Huijstee and Glasberger, improved NGO relationship diminishes the risk that the NGO will pursue a naming and shaming strategy. They also argue that a good relationship with one NGO can "cushion" the impact of a public attack by another NGO.

Schwesinger Berlie also stresses the role of leadership. There must be ability within the company to change its values and management. From this follows, a company which has a well-established policy towards NGO-engagement and which is under external pressure will be more interested in forming partnerships. She stresses – opposed to Elkington and Fennell – that confrontation often precedes collaboration. According to her, "when you cannot beat your enemy, the best strategy is to join them".

Schwesinger Berlie illustrates her argument by developing a typology of three types of companies, *the exposed company, the neutral company*, and *the committed company* on the basis of her empirical findings. In her categorization, exposed companies are heavy polluters (e.g. chemical, quarries, mines) or their products are polluting (e.g. fertilizers, household goods). Exposed companies are also those companies that are strongly "depending on non-renewable natural resources" (e.g. oil, natural gas) or "exploitation has exceeded the limits of renewal of stocks" (e.g. fishing). According to her, these companies are in "conflict with the environment" or they are in "conflict with the local communities".

For Schwesinger Berlie, neutral companies, in turn, are characterized as companies that pollute little, consume little energy, and are not highly dependent on natural resources. These companies are not in conflict with society, and they do not therefore attract the attention of NGOs. Committed companies are the ones whose leaders think that profits should not be made at the expense of the environment.

Hence, because of their vulnerability, Schwesinger Berlie stresses that exposed companies are the most obvious companies to seek partnerships, followed by committed companies. Fineman and Clark provide support for this view[190]. According to them, companies with a negative environmental history or whose activities are polluting or endangering the environment are more aware of the external pressures they are exposed to. In the study carried out by Antoine Mach[191], a connection between pressure and partnership is demonstrated. It found that out of nine cases, seven have ended up to a partnership formation[192].

All these typologies give valuable insights to explaining different types of partnerships. However, they all are insufficient in terms of explaining the current phenomenon. First, although Schwesinger Berlie aptly stresses the importance of NGO confrontation as a main driver for companies to seek NGO engagement, her typology is weak in explaining the differences between the external pressure companies are exposed to. In her model, there are the exposed companies that face the pressure and the other two types of companies - neutral and committed companies - that do not face any pressure.

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[190] Fineman & Clark 1996
[191] Also Assadourian 2005.
[192] Mach 2001, quoted in Schwesinger Berlie 2010.

However, in current globalized economy, all companies are exposed to normative pressures and their reputation can be ruined in a very short time, as discussed above. This means that all companies are vulnerable, and thus questions the existence of neutral companies. In Schwesinger Berlie's model, the neutral companies are not in conflict with their external groups. However, there is always potential that those companies face external normative pressure someday, because issues can evolve and they can be "framed" later. Hence, there is a probability that an issue will gain importance in the public's perception and harm the company.

Second, although companies can influence their relation to society by seeking to ensure their legitimacy, they cannot control it wholly[193]. From this follows, companies cannot be categorized in the way Schwesinger Berlie does. Due to the emergence of the corporate social responsibility norm in the market place, it is the external groups that perceive the company responsible or irresponsible, not necessary the company itself. One illustration of this is, for example, that many companies use recognitions they are granted by private sector associations for their outstanding corporate social responsibility performance. However, other external groups who score the leading corporations by using different criteria might not regard the same companies responsible at all. Many NGOs remain therefore skeptical to private sector awards and labels, and tend to view them as too subjective.

Thirdly, as discussed above, many corporations have crafted corporate social responsibility programs and engaged in voluntary initiatives such as the UNGC and thus show their *willingness* to reduce their environmental footprint, improve their labor conditions and contribute to the communities they are a part of. Furthermore, there is evidence that companies that have been highly exposed to normative pressure have sought to ease the pressure by establishing corporate social responsibility functions and commitments to improve their social and ecological issues.

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[193] Baron 2009.

For instance, after finding to be vulnerable to external normative expectations of how to treat workers overseas, Nike has developed a comprehensive corporate social responsibility programs to improve its practices[194]. This, again, makes it difficult to differentiate between neutral, committed and exposed companies, especially as many companies communicate that they are committed to corporate social responsibility.

Finally, and most importantly, Schwesinger Berlie does not take into account that vulnerability varies. For her, vulnerability is a *static* condition of the exposed companies. The characteristics of those companies are that they pollute or make polluting products, or they are strongly dependent on non-renewable natural resources or that the exploitation has exceeded the limit of renewal of stocks. According to Schwesinger Berlie, the exposed companies are in conflict with the environment and with the local communities. However, given that all companies are vulnerable to external normative pressure, some companies are more vulnerable than others. This is because different industries have different social and environmental issues, and they thus face different levels of pressure. This makes the concept of vulnerability a variable.

But how does vulnerability vary? The concept of vulnerability is introduced next.

Vulnerability Re-Defined

This study builds upon Schwesinger Berlie's rational argument that corporations that are vulnerable seek NGO-engagements, but differs from her assumption by stressing that all

[194] Kytle & Ruggie 2005.

companies are vulnerable and that vulnerability varies. Hence as discussed in the introduction chapter above, companies are not equally vulnerable and the type of vulnerability matters.

Epstein lists such factors: locations of facilities, product and customer characteristics, the nature of employment relationships, and general industry characteristics[195]. Traditionally notorious industries are industries such as mining, footwear, apparel, toys, and chemicals. In recent years companies operating in the oil, sportswear, timber, banana and biotechnology industries have been particularly affected[196.]. Dashwood[197] argues that among the mining companies, a most salient risk is opposition from the local communities in which they operate. This is because unlike manufacturing multinationals, which have greater mobility, mining companies choose their locations based on the availability of metals to extract. Failure to establish and maintain good community relations could result in a company losing its social license to operate, even where the company possesses a regulatory license to operate.

The Schwesinger Berlie model groups companies that pollute or make polluting products and companies depending on scarce natural resources into a one group. However, it is important to make a distinction between these two types of companies, because their vulnerability differs from each other. How vulnerability varies can, as explained above, be determined by using systemic thinking, which helps to make a distinction between procedural and systemic vulnerability.

Drawing from the idea that things influence one another within a whole, systems thinking provides a valuable insight on how companies that are vulnerable to external pressure differ from each other by the level of their vulnerability. As a general approach, it views problems as parts of an overall system, rather than reacting to specific part, outcomes or events, and sees the

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[195] Epstein 2008.
[196] Waddell 2000.
[197] Dashwood 2004.

combination of problems as potentially contributing to further development of unintended consequences[198]. Using a more system-oriented logic, companies that pollute or make polluting products are vulnerable to external groups because their manufacturing processes are harmful to the environment. NGOs pressure these companies to correct their course. Therefore, as noted earlier in the introduction chapter, these companies face process vulnerability. From a systemic perspective, companies that are dependent on systemic resources such as certain minerals, fish stocks, water, land, and oil and gas are dependent on the *system* and its resources, and are therefore systematically vulnerable. Those companies operate under systemic vulnerability.

From a system perspective, the two types of vulnerabilities mainly differ in how companies are able to respond to the harmful outside pressure they are exposed to, hence whether they can ease the pressure or not. Companies that are vulnerable in terms of their processes have potential avenues to respond quickly by changing and improving production processes in ways that address criticisms by NGOs and others. In contrast, companies that are systemically vulnerable cannot regain their legitimacy only by improving their processes. This is because dependency on systemic resources is difficult or too expensive to replace with alternatives.

When companies are dependent on the systemic resources that are critical to the health of the system they are a part of, they are likely to generate large amounts of negative externalities that affect the wellbeing of the communities. These declining commons poses serious challenges not only for the relegitimation efforts, but also for the continuity of the particular business. In the current world of constrained natural resources and the intensified global discussion over the use and the governing of the commons, companies that use scarce commons for commercial purposes are easily accused of resource exploitation from the local people which in turn generates bad press and consumer protests. Through NGO campaigns and media coverage, these

[198] Senge et al. 2008.

companies easily become, in the eyes of the global public, contributors to the global problems such as climate change, water crises, the collapse of biodiversity, and poverty. The negative externalities caused by the use of the commons can easily be identified and communicated to contribute to the global problems.

For instance, several NGOs, including Friends of the Earth and Greenpeace, campaign aggressively against Finnish petroleum refiner, Neste Oil. The company is protested for its supply with palm oil from the Malaysian company IOI, as the main material for its biological fuel. Neste Oil uses palm oil and other renewable materials for the production of biological diesel fuel at its refineries. According to Friends of the Earth's report *Too Green to Be True*[199], the activities of IOI are not sustainable and the group accuses Neste Oil of expanding its palm oil plantations in a non-sustainable manner. The company is put into the global spot by the claims that growth in the use of palm oil could actually accelerate climate change through the destruction of tropical forests.

In January 2011, Greenpeace Switzerland and the Berne Declaration[200] named Neste Oil the "Worst Company in the World" in Davos during the World Economic Forum in order to raise global awareness on the link between biofuels, deforestration and the climate issue[201]. According to Greenpeace, commercial palm oil cultivation requires large areas of soil and tropical deforestation, which severely threatens ecosystems. Deforestation is a significant global issue as forests currently occupy about one-thirds of the Earth's land surface and are estimated to contain more than half of all terrestrial species, especially in the tropics. Furthermore, forest ecosystems are key component of the carbon cycle and climate as they account for over two-thirds of net

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[199] Friends of the Earth 2010.
[200] Berne Declaration is Swiss advocay NGO found in 1968 with over 20 000 members. The organization works to promote more equitable, sustainable and democratic North-South relations.
[201] Neste Oil Press Release January 14, 2011.

primarily production on land, through i.e. conversation of solar energy into biomass through photosynthesis.[202] According to IPCC's Fourth Assessment Report, land-use change, including deforestation, is responsible for twenty-five percent of human-caused carbon dioxide emissions.[203]

Industries that are heavily dependent on systemic resources are therefore more likely going to be under constant criticism by environmental and social advocacy groups. Those include mining, forestry, fishery, oil and gas, and food and beverage industry. According to TEEB, mining industry is a heavy user of ecosystem services. Also, it requires massive amounts of freshwater for mineral processing. It also has harmful impacts on biodiversity due to habitat disturbance and conversion caused by the removal of large habitats as well as disturbance caused to ecosystems and human communities through noise, dust, pollution and waste.[204]

As the awareness of the importance of sustainable development grows and gains weight, these companies become highly *interdependent* with the communities they operate in, as they need to maintain their social legitimacy to operate that is ultimately depending on those communities. The continuation of the particular businesses is thus highly dependent on the health of a larger system the company is a part of. From this follows, sustainable development of the communities where the company operates becomes a business interest for the company.

Given that all companies are vulnerable, this study identifies three types of corporate vulnerability:

1) companies that operate under low vulnerability
2) companies that are vulnerable due to their irresponsible or unethical processes
3) companies that are vulnerable due to their dependence on the system and its scarce resources

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[202] TEEB 2010.
[203] IPPC 2007.
[204] TEEB 2010.

These types differ from each other in that companies that operate under low vulnerability have not been under harmful normative pressure or they have been but through improvements of operations they have regained back their normative legitimacy, while the two other types of companies operate under harmful pressure due to their unethical processes or their dependency on scarce commons. Next, a new theory to explain why it is important to take into account that the concept of vulnerability varies when explaining the differences between corporate NGO-engagements, is introduced.

Part Two: Theory

Types of Vulnerabilities

This section introduces a new theory why NGO-business partnerships differ from each other. It lays out the factors that determine partnerships and then introduces the typology of partnerships that introduces three different types: symbolic partnerships, instrumental partnerships, and pioneering partnerships.

In explaining under what terms actors are likely to choose a particular kind of engagement strategy, the following elements are critical. First, companies seek NGO-engagements to ensure their normative legitimacy. Companies are primarily motivated by material incentives and they conform to corporate social responsibility according to the material incentives associated with their normative legitimacy. Those include reputation, shareholder, investor and consumer satisfaction as well as ensuring business operations. In the light of these incentives, companies weigh their needs to improve the social and environmental consequences of their activities. They consider whether there is a need to improve their relation to society and they then take action according to these calculations. They thus use the norm of corporate social responsibility to further their corporate goals.

Secondly, companies' efforts to ensure legitimacy through NGO-engagement suggests that the way companies *perceive* the complexity of the normative expectations of the external groups is critical in a company's decision on how to engage with an NGO. How the NGO-engagements vary then depends on how companies specify their interests within their existing incentive structures that involve norm of corporate social responsibility. The perception determines their understanding of their need to engage NGOs to these activities. Companies thus turn to NGOs for help and adjust their activities in the anticipation of the rewards the cooperation provides, hence trade-offs.

Thirdly, vulnerability matters since it explains how motivated a company is to adopt a meaningful corporate responsibility program and the possible forms that partnerships with NGOs may take. Vulnerability affects the motivation level of companies to ensure company legitimacy. Because legitimacy is at stake, how companies perceive their need to review their relation to society depends largely on the normative expectations they encounter and the magnitude of the harmful outside pressure to align their operations accordingly. From this follows, partnerships vary because the need of companies to redefine their relationship to society varies. Companies choose a particular type of engagement strategy attuned to opportunities that the cooperation provides. The more companies are vulnerable to the normative claims of external groups, the more likely a company is willing to work with an NGO or NGOs to ease the pressure.

Using systems thinking approach, one may differentiate between the levels of vulnerability, hence the levels of company exposure to the harmful external normative pressures. Companies are exposed to different levels of exposure due to the type of business they conduct and the wider implications of that business to the health of the larger community they are a part of. Vulnerability thus varies depending on whether there are systemic issues or process issues that the company needs to tackle with. Companies that are highly dependent on the system and its resources do not have other alternatives to choose from or the other alternatives are not economically viable. This makes the company more dependent on the health of the larger system it is a part of, and there is an obvious need to gain legitimacy from the local people, and thus explains their interest in deep and comprehensive collaboration with respected NGOs as partners to build the needed social trust. In contrast, if the issues NGOs are criticizing the company for are process-related, there is a higher chance that after fixing them, the company will gradually regain its legitimacy in the eyes of the external groups. Therefore, as explained in the introduction, the study introduces a classification of three levels of vulnerability:

1) Low vulnerability
2) Medium vulnerability
3) High vulnerability

Low vulnerability refers to conditions in which companies have not been harmed by the external pressure. Important external groups commonly perceive these companies as good corporate citizens, and these companies have been recognized for sincere and continuous efforts to improve their processes to be more socially and environmentally sound. These companies have not been under considerable negative external pressure, or they have been in conflict with these groups but they have improved their processes to reclaim legitimacy and achieve a status of good corporate citizen. Nike is an example of that. After having felt considerable pain and market protest after NGOs attacked it due to its ignorance on labor issues in factories in southern Asia in late 1990s, Nike is known as one of the most progressive corporations in terms of corporate social responsibility. The mistakes made the company to build comprehensive corporate social responsibility programs and it has managed to regain its normative legitimacy.[205]

A company that operates under low vulnerability can maintain its NGO engagements distant. Distant in this context means distance from the corporate operations and that the programs with NGOs are external to the company. Such company seeks NGO engagement to demonstrate corporate social responsibility as a *normative deed*. The NGO, in this case, leverages its impact by taking financial and in-kind resources from a company in return of being associated with the company in a common project. Typically industries that operate under low vulnerability include media and entertainment, information and telecommunications, and health care. Companies from other industries can also operate under low vulnerability if they have consistent corporate social responsibility programs in place and proactive strategies to eliminate and reduce all social and environmental risks they might become exposed to.

Medium vulnerability refers to the conditions under which a company is viewed to be in conflict with the environment and the local communities due to its unethical processes. Such companies are under intense activist campaigning and have been publicly shamed by negative media coverage. Because the pressure can hurt profits, these companies perceive a strong need to respond to the accusations by improving their operations. These companies are likely to seek

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[205] Werther & Chandler 2011.

NGO-engagements to clean up their practices to regain their legitimacy and attain appreciation. Typical industries that operate under medium vulnerability include apparel and footwear, construction, toy and other consumer goods industries.

High vulnerability refers to the conditions under which a company is not only in conflict with an environment and the local communities, but also dependent on systemic resources and is therefore accused of exploiting the local resources for commercial purposes. Under such vulnerability it is difficult to establish and maintain good community relations and regain social license to operate, even where the company possesses a regulatory license to operate. The high degree of dependency on systemic resources poses thus a serious threat to a company's business continuity both operationally and emotionally. There is a high risk that these companies are not only in conflict with both environment and the local communities, but also with global community that is increasingly concerned with the use of the commons and how to regulate them.

These companies join "the enemy" because they cannot beat them. Furthermore, the more companies are dependent on the systemic resources, the more they have incentives to work with NGOs to help solve the tragedy of the commons. These corporations need to earn their license to operate from society, both literally through planning and permitting processes, and in a wider sense through gaining the status of good corporate citizenship. This necessitates giving back to society more than what is being taken in the form of natural capital[206]. For these companies conformance to corporate social responsibility is not only a means to ensure their legitimacy but also a key to continue their business.

This is also why these companies try to find new technical solutions to production in ways that do not weaken the already stressed systemic resources. Likewise, the more there are

[206] Bishop, interview in January 2011.

concerns embedded in a company's operations that need to be improved, the more an NGO views it as its opportunity to maximize its own impact. In fact, companies that are dependent on systemic resources offer an NGO an opportunity to build a pioneering relationship. In such an engagement, the NGO can help the company not only to improve its processes, but also to *transform* its culture and practices. In these cases, NGOs help companies to build programs to be more resource efficient. NGOs also challenge these companies to view their decisions from the larger systemic point of view. NGOs also help companies improve relations with company constituencies through meaningful dialogue and collaboration within the local communities and in other important external groups.

Summing up, distinguishing between the levels of vulnerability is important as it affects the motivation of a particular company to collaborate with an NGO or NGOs. A company that is vulnerable due to its pollution, but is not dependent on the systemic resources, has differing motivations to engage with an NGO than that of a company, which is dependent on systemic resources, the commons. Companies that pollute or violate human rights seek NGO collaboration to fix those concerns to ease the social pressure and regain legitimacy. Working with these companies, NGOs can leverage its influence by helping the company to improve their processes to be more responsible. In contrast, a company that is highly dependent on systemic resources seeks NGO collaboration not only to gain legitimacy but also to ensure business.

Hence, the fact that vulnerability varies affects the motivations of a company to view its relations to society. The variation of vulnerability makes companies to consider their relation to society differently. Because there are differences in these needs, there are different NGO engagement strategies. The theory thus explains that partnerships vary, because the need of companies to redefine their relationship with society varies. The more vulnerable the company is, the more likely a dialogue with the external groups is deemed necessary to turn adversarial relations into constructive ones. The preferences and interests of the actors involved thus determine the particular type of an engagement strategy NGOs and companies use to achieve their respective goals. Next, the typology of partnerships is introduced.

Typology of NGO-Business Partnerships

The typology identifies three types of engagement strategies that are useful for different kinds of goals on both sides[207]. These three types of partnerships are symbolic partnerships, instrumental[208] partnerships, and pioneering partnerships. Each partnership results to a particular type of outcome - that is a different *degree of positive change* in corporate behavior. The engagement categories are based on a simple classification of the outcomes according to three criteria:

1. Companies partner with NGOs to demonstrate their conformance to corporate social responsibility
2. Companies partner with NGOs to improve internal company processes to regain company legitimacy
3. Companies partner with NGOs to regain legitimacy and ensure the continuity of a particular business

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[207] Austin (2000) highlights the integration of an NGO and a company. However, the model is formed to create a continuum of joint activities that range from traditional philanthropy and transactions to strategic partnership illuminating integration between the actors. In his model, only the strategic partnership illustrates new relationship between society and business.
[208] Note: the term instrumental in this context does not refer to interest-based reasons as often the case in political science terminology, but serving as an instrument or means of doing something.

These partnerships make up a partnership typology along which there are three types of NGO-business interaction.

Table 1: Partnership Typology

Type of Engagement	**Symbolic Partnership**	**Instrumental Partnership**	**Pioneering Partnership**
Type of Action	A normative deed	Consistent process improvements	Consistent process improvements and contributions to wider systemic benefits
Type of Vulnerability	**Low Vulnerability**	**Medium Vulnerability**	**High Vulnerability**

The theory presented above predicts that the more companies are vulnerable to normative pressure they face, the deeper they are likely to engage with an NGO or NGOs to demonstrate their conformance to the norm to ease that pressure. In other words, companies that are more vulnerable have more materialistic reasons to engage deeper with NGOs than companies that are operating under low vulnerable to external normative pressure. Hence, companies operate under different types of vulnerabilities and this determines the type of partnership they are likely to form with NGOs.

From this follows, there is a clear relationship between companies' vulnerabilities and the types of partnerships. Companies that operate under harmful normative pressure are likely to form instrumental and pioneering partnerships in order to redefine their relationship with society. And, companies that are not operating under harmful vulnerability use the norm of corporate social responsibility to further demonstrate their good manners and thus gain further societal appreciation. Next differences between the partnerships are explored more in detail.

Symbolic Partnerships

Corporations are more likely to choose a symbolic partnership as their engagement strategy with NGOs when they operate under low vulnerability. These companies engage with NGOs to respond to *appeals to appreciation* along the spreading of corporate social responsibility. Because these companies are not in conflict with external groups, engagement strategy is then a symbolic gesture of a moral duty to achieve rewards of cooperation.

For a company those rewards include reputation benefits, as the partnership creates positive associations with NGOs that bring brand value and good reputation. Being able to use a specific NGO label a company expects to gain credibility to its social and environmental cause. In order to gain the rewards of cooperation, a company chooses symbolic partnership with an appropriate and well-respected NGO. In this way, a company "gives back to society" in one-way manner.

In contrasts to the two other partnership types, instrumental and pioneering ones, which rely on active NGO participation into a company's internal operations, symbolic partnerships are chosen when a company wants to associate with an NGO but keep NGO distant. For an NGO, the reward of cooperation of a symbolic partnership is that companies can use their extensive marketing and communication infrastructure to make NGO mission more public. In addition, in symbolic partnering arrangements NGO receives funding and in-kind services from the corporation it partners with.

A symbolic partnership is formed under the following conditions. Because the company operates under low vulnerability, it is not in need to build programs that involve direct NGO involvement to improve its internal issues. In other words, such company does not need to redefine and rebuild its relationship with society as it is generally considered a good corporate citizen. In comparison to companies, which engage with NGOs in instrumental and pioneering partnerships, this kind of a company can maintain its relation to society at the symbolic level.

In symbolic partnerships actors do not need to trust each other. The collaboration does not involve confidential issues, and is carried out in out-house manner. The level of engagement between NGOs and companies is relatively low. The engagement is typically a fixed term project, which is carried out under a strict budget. It differs from traditional philanthropy in that it is a public commitment to achieve measurable outcomes. The level of change in corporate practices is low. The potential to make social contribution is much more modest than in the other two partnership types.

Instrumental Partnerships

Instrumental partnerships are likely to be chosen as an engagement strategy when a company faces medium level of external normative pressure due to its unethical processes; hence its vulnerability is process-related. This means that the company's internal processes are not socially or environmentally responsible and need to be fixed to regain normative legitimacy. NGOs have targeted and harmed these companies and the companies seek to ease the pressures by working with NGOs to improve their internal processes. Although actors seek together to improve the existing social and social environmental concerns, sustainable development of the larger system is not their primary concern.

Instrumental partnerships are thus formed to take action to change corporate social and environmental practices. Actors cooperate because they acknowledge the mutuality of interests in reducing a company's negative externalities by stopping the company from causing more harm. The engagement between the actors is an *instrument* in achieving the rewards of cooperation. The reward for instrumental cooperation for a company is the regaining of lost legitimacy. By helping companies to develop their processes, NGOs in turn view that they are better able to spread their mission and make positive change in social and environmental issues in areas they view critical.

An instrumental partnership differs from symbolic partnerships in that it is a *pragmatic* approach to collaboration. It goes beyond PR considerations and focuses on improving *internal* company processes to lessen the NGO pressure and to regain legitimacy. Instead, a symbolic partnership focuses on specific groups or projects in a company's external environment that are not motivated by the need to regain legitimacy.

Instrumental partnership requires mutual understanding and trust that takes time to develop. A company needs to open its operations to the NGO it works with. Because an instrumental partnership is formed to improve a company's processes with using an NGO's knowledge, interaction is defined as a process through which the actors share control over development initiatives and decisions. Therefore a high level of transparency is needed. Instrumental partnerships require that organizations develop specific working rules and monitoring tools. Instrumental partnerships last a fixed period during which a common purpose project is carried out.

In instrumental partnerships, the engagement is thus an instrument through which each organization is set out to gain in partnership context. The societal benefit is generated trough reducing the negative externalities that generate benefits not only for the company and an NGO in question but also to wider societal groups in communities where the company is present.

Pioneering Partnerships

Actors are more likely to choose a pioneering partnership as their engagement strategy when a company is highly dependent on systemic resources and has been aggressively and harmfully targeted by NGOs, and thus operates under high vulnerability. These companies are to a great deal threatened by the external normative expectations of responsible business and the growing public concern for the commercial use of the commons, and thus seek NGO partners to help them craft comprehensive corporate social responsibility agenda that go beyond their own operations and value chains to reach larger systemic benefits. Companies that form pioneering partnerships with NGOs have undoubtedly realized their need to ensure the continuity of their business by acquiring legitimacy not only from the communities they operate but also from a larger public by promoting sustainable development. These companies have realized that their business is highly depending on their relationship with the larger system and the natural resources available, and they therefore want to ensure that they are well prepared to respond to the pressure they face.

In pioneering partnerships partners build comprehensive social and environmental programs as a *response* to pressure from outside. This, however, should not be understood as greenwashing or window dressing. Instead it is consistent work in which an NGO is directly involved in the process by helping the company improve its internal processes and build credibility with external groups. Partners work closely together to apply scientific knowledge and expertise to examine how the company operations rely on and affect nature, the natural resources and the health of the communities where the company has presence. The aim of the collaboration is to advance the incorporation of corporate social responsibility into business, and to take action to protect the Earth's natural systems and the services they provide for people, for the benefit of business and society.

The collaboration is designed to help the company innovate new approaches to critical challenges it faces. The NGO first helps the company evaluate its current status. It then helps the company identify improvement targets and methods of measuring the improvements transparently. Transparency is key to credibility. NGOs view this situation favorable as such companies seek NGO-assistance in being more resource effective and leveraging their power to promote sustainability of the larger system.

The engagement between the actors is thus pioneering. Actors are pioneers in society-business relationship, as they build long-term relationships with each other in issues with high strategic importance to both of them. Because interaction is necessary to obtain the strategic goals of each actor, the partnership has been granted high priority by both actors and integrated into their core strategies. The relationship between the partners is thus interdependent. This is also why pioneering partnerships represent the most advanced level of relationship between NGOs and corporations.

Although instrumental partnerships and pioneering partnerships are relatively similar they also have differences in focus. If instrumental partnerships are formed to improve social and environmental conditions within a company's internal processes in order to regain legitimacy, pioneering partnerships are formed to ensure a much broader social legitimacy and partners commit to common objectives that are highly ambitious public commitments to promote social and environmental issues in a long-term perspective. They aim at changing a company's behavior in a way that larger societal benefits are generated than in instrumental partnerships. In instrumental partnerships, companies make these commitments alone, and the role of NGOs is to assist them to achieve those commitments. In pioneering partnerships companies let NGOs in their operations alike in instrumental partnerships, but also engage NGOs to their strategy work. This requires considerable amount of trust from the corporate part and a high level of risk taking and public commitment from the part of the NGO to work publicly towards joint goals.

A pioneering partnership thus requires perfect mutual trust and clear understanding of each organization's agendas and ways of operation. There are high-level risks involved as a company is exposing confidential in-house issues, and trusting that the information is not used wrongly. Engaging with a company at the strategy level, an NGO takes a high risk of compromising its credibility, as it can easily be criticized for loosing objectivity. This is why monitoring and reporting of achievements help actors to maintain the trust needed. In pioneering partnerships, the potential for making the most change in corporate practice is the highest, as both an NGO and a company have committed to achieve measurable results. In these partnerships, the level of societal benefit is the highest.

Table 2: Partnership Continuum and Three Types of Partnerships

TYPE OF PARTNER-SHIP	**SYMBOLIC PARTNERSHIP**	**INSTRUMENTAL PARTNERSHIP**	**PIONEERING PARTNERSHIP**
TYPE OF SOC IETY-BUSINESS RELATION-SHIP	"Dating"	"Engagement"	"Marriage"
Characteristic features	Symbolic gesture to enter public dialogue Reputational benefits Relatively short-term engagements utilizing communication and campaigns Initiatives external to corporate practice, such as community development, conservation projects, and other "good works" and community partnerships programs No confidential issues Limited risks	Inclusive engagement process Focus on specific company process improvements Viewed important for corporate social license to operate Resource intensive process Actors share control over development of initiatives Involves confidential issues Involves risks Opportunity for improved learning and operational efficiency through deeper cooperation Increases good reputation when successful Helps regain trust and legitimacy when successful	High strategic relevance to the performances of actors involved Partnership work viewed necessary to advance the goals of the actors involved Highly ambitious publicly stated commitments with global media coverage Viewed necessary for corporate social license to operate High profile partnership, senior management committed Long-term engagement Focus on company-wide process improvements Very resource intensive & time consuming Actors share control over development of initiatives and decisions Actors' core capabilities employed Strong community aspect Highly confidential issues, major risks involved Monitoring, rules and responsibilities sanctions
Type of agents	Adopters	Instrumentalists	Pioneers
Level of trust	Not critical to the outcome	Needed	Necessary
Level of engagement	Low	Medium	High

Chapter III

“Mobile Technologies to Do Good Things for Society”[209]

Part One: Growing Importance of Corporate Social Responsibility and Nokia’s Awakening to It

Introduction

In the era of heightened importance of corporate social responsibility companies that embrace the norm can be a source of pride, retention and inspiration for employees and owners, and are also more likely to engender the support and societal appreciation. Those multinationals that are considered good corporate citizens often take extra action to demonstrate their conformance to the norm to garner yet broader positive attention and appreciation for their activities. Because they are not harmed by normative pressure, they do not need to fix their processes to regain back their normative legitimacy.

This allows them to maintain their relationship with society symbolic. Due to the low level of vulnerability these companies operate in, they engage with NGOs in symbolic ways in order to show their responsibility to the society they are a part of. For these companies, the main driver for partnering with NGOs is the brand rewards that the cooperation provides. And these rewards are warmly welcomed as they further strengthen the perception of these companies as good-doers in the market place.

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[209] Isosomppi, interview in December 2011.

This chapter explores Nokia Corporation as an example of a multinational company that operates under low vulnerability, despite some negative social and environmental externalities related to the ITC industry and some specific criticism that the company has been exposed to. The chapter shows that with its consistent work on corporate social responsibility, Nokia has managed the external pressure associated with its global operations and maintained its normative legitimacy. In fact, Nokia is widely known for its firm corporate social responsibility and its active engagements with various NGOs to demonstrate its conformance to the norm.

Because the company has not been in the need of fixing its internal processes, its various engagements with NGOs represent examples of symbolic partnerships as identified above. Typical to companies operating under low vulnerability, Nokia's engagements with NGOs are a collection of programs with international NGOs primarily focused on bringing reputational rewards and appreciation. The programs are thus a reflection of a clear understanding that in the era of heightened attention to corporate behavior, it pays off to be a corporate steward in social and environmental issues. This requires however more than complying with the laws and regulations. It requires that through NGO-engagement the company positively contributes to communities it is a part of.

The chapter traces back to the corporate social responsibility concerns of the ICT industry and the developments that illuminate how Nokia has, despite criticism from outside groups, managed to safeguard itself from harsh and financially harmful activist campaigning. Its NGO-programs have focused on the communities it is present and the main impetus has been to further demonstrate its corporate good will to build and strengthen good reputations.

Nokia is one of the most highly valued electronics and consumer goods brands in the world. Its roots are in Finnish paper, cable and rubber industries, but since 1992 the company has focused on the ICT sector. By the end of the 1990s, Nokia was the world leader in the mobile phones. In 2008, the company produced 1.5 million phones a day and remained the world's leading manufacturer of mobile devices by market share, and a leader in the converging Internet and communication industries. By 2011, over one billion people use Nokia phones across the world. The company employs 128 445 people and has sales in more than 150 countries, reaching to EUR 50,7 billion in 2008.[210]

In tracing the developments that have made Nokia to operate under the lowest level of vulnerability, in which it is not confronted with normative pressure that hurts its profits, this chapter begins with discussing the corporate social responsibility issues within the ICT sector. This is done to establish the position of Nokia within its corporate social responsibility milieu, both from the point of view of the industry in general and the particular measures the company has taken to cushion itself from the potentially harmful criticism. The chapter thus explores Nokia's achievements in the corporate social responsibility front and how it has achieved the reputation of being a good corporate citizen, although there have been some activist campaigns against it and some adjacent negative publicity.

The chapter then moves on to discuss Nokia's engagements with well-known NGOs as symbolic gestures to achieve brand benefits and further strengthen the perception of the company's conformance to the norm of corporate social responsibility. The chapter concludes that these engagements do not differ much from traditional philanthropy and corporate sponsoring, and they therefore represent the "dating" stage of the relationship between business and society. The actors interact, but both parties remain independent.

[210] Nokia 2009. www.nokia.com/NOKIA_COM_1/About_Nokia/Sidebars_new_concept/Nokia_i n_brief/InBrief_08.pdf, updated March 2009

Corporate Social Responsibility within the ICT Sector

Nokia as the world's largest mobile phone maker operates within the larger rapidly growing Information and Communication Technology (ICT). Each second thirty-six mobile phones are manufactured. Everyday there is over 1.8 million new mobile phone subscribers, majority of them in the emerging markets.[211]

In comparison to many other consumer goods industries, the ICT industry has a good reputation and it is praised for many abilities.[212] First, it provides increasing access to information, increasing opportunities for participation in public debates as well as opportunities to distance learning. Second, there is evidence that the ICT industry makes a major contribution to the gross domestic production (GDP). According to London Business School study, an increase of ten percent in the mobile coverage will have a positive effect of 0.6 percent on the country's GDP.[213] Finally, ICT is also praised for enabling sustainable development through "dematerialization" and "immaterialization". The former refers to the significant environmental gains that can be generated from substituting a service for hard product and enabling more ecological working methods, such as remote working and video conferencing as they result to lower pollution, energy use and green house gas emissions[214]. The latter refers to the replacement of physical products with digital counterparts. For example, downloading music or digital games over the Internet can replace the need for manufacturing, packaging and storing them in stores with the related transportation and travel. In addition, the ICT sector can effectively be used to increase awareness of global environmental concerns due to increased access to information, and

[211] United Nations Conference on Trade and Development, Information Economy Report 2007- 2008.
[212] Covalence Report 2010.
[213] Waverman 2005.
[214] Hassi, Kumpula & Riuttanen 2007.

thus its role has been regarded important in the fight against climate change[215].

Furthermore, in comparison to traditional industries, the environmental impacts of the ICT sector have been trumpeted as environmentally friendly, without producing significant damage to the environment. Most of its impacts come during the production, use of the products and after they are discarded into electronic waste. The most impacts come from the energy consumption and the emissions as well as the toxic materials in batteries and cables. Also waste has been one of the environmental concerns, as electronic consumer goods tend to have a short product life cycle. [216]

Despite the good image, there are few issues that have concerned the international NGO community and thus can also give raise to consideration on Nokia's process and systemic vulnerability to normative pressure. One of them has been the heavy electricity use associated with the industry. The sector consumes enormous amounts of energy and the need for computational power and data storage is expected to grow significantly in the future. It is pointed out that a newly constructed data centers can consume more power than the cities they are located in. The energy consumption is closely connected to the sector's impact on the climate. The green house gas emissions amount to about two percent of global greenhouse gas emissions, and it is expected to be three percent by 2020.[217]

The industry has put forward many energy efficiency programs and many improvements are under way. Greenpeace found in its Green Electronics Survey issued in January 2011 that there have been improvements in green features compared to the previous two surveys,

[215] Heikkinen , Hirvonen & Sairinen 2004.
[216] Hassi, Kumpula & Riuttanen 2007, 10.
[217] Business for Social Responsibility 2010a.

conducted in 2008 and 2009.[218] In addition, almost all products meet or exceed the current Energy Star standards established by EPA. According to Greenpeace, electronics companies seem to put much more effort in improving the energy efficiency of their products rather than reducing the "embedded energy" – that is, the energy spent during the production of each product, and according to Greenpeace, much still needs to be improved.[219]

In addition to environmental issues associated with the ICT sector, concerns for social issues have been mounting. One of them is the so-called "digital divide". Despite the revolutionary changes the industry has made in people's lives across the world, there are growing concerns that the industry is causing the world to become increasingly divided by uneven access to telecommunications services[220]. The industry is also seen to enable misuse for criminal purposes, loss of consumer privacy, and unemployment due to efficiency improvements caused by technology as well as reduced employee satisfaction due to reduced contact with colleagues.[221] Since the emergence of first mobile phones there have also been concerns of health risks related to electromagnetic fields.[222]

Criticism towards labor conditions at the manufacturing sites has also been loud and enduring. During the past decade, the manufacturing has moved increasingly from Western Europe, the US and Japan to developing countries and emerging economies, where the costs are low, workers are skilled, and the markets are growing. Particularly China, India, and the Philippines have been attractive for the relocation of production. Between 1995 and 2006, the

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[218] Significant reductions in the use of hazardous chemicals have been made, and more PVC-free and BFR-free products are now available (Aromaa, interview in April 2011).
[219] Those include the lifecycle of the products, as there is still too little recycled plastic, although a variety of take-back practices are generally improving. Also, there should be more marketing efforts to prevent fast obsolescence of products. Greenpeace also noted that companies are becoming more transparent in the amount and type of product information they provide to customers.
[220] Hassi, Kumpula & Riuttanen 2007.
[221] Runhaar & Lafferty 2009.
[222] Chan, de Haan, Nordbrand & Torstensson 2008.

Asian Pacific area's share of global electronics production has increased from twenty percent to forty-two percent. Currently half of the mobile phone production takes place in China. In addition to the concerns that the relocation of the production to low cost countries carry along environmental and social issues, there has been political storms over jobs outsourced to low wage countries such as India and the Philippines.[223]

This darker side of the ICT sector has been difficult to trace. Typical to the consumer electronics industry is that the manufacturing of different components is scattered to many suppliers. Various studies indicate that workers are treated well in large Western companies, but these companies have difficulties to ascertain that their subcontractors follow the principles of their codes of conduct. It has been claimed that rule respect gets weaker, the further down the subcontracting chain the factories move. According to NGOs, some of the worst violations take place down to these supply chains. This is because the factory workers do not know their legal rights and they have no experience in demanding them.[224]

A multi-year European-fund project "Make IT Fair" by several European NGOs has raised awareness about development issues in the production of the electronics industry. The group focuses especially on products for young consumers, such as mobile phones, MP3 players, game consoles and laptop computers. Their studies do not draw rosy pictures about the realities of the manufacturing processes. *Silence to Deliver. Mobile Phone Manufacturing in China and Philippines* report[225] examined six factories in China and the Philippines that deliver components to the world's five biggest mobile phone companies, Nokia, Samsung, Motorola, LG and Sony Ericsson, which currently hold more than eighty percent of the mobile phone market. According to the study, the most common problems at the factories are: low wages, long working hours, and

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[223] Chan, de Haan, Nordbrand & Torstensson 2008.
[224] Chan, de Haan, Nordbrand & Torstensson 2008.
[225] Chan, de Haan, Nordbrand & Torstensson 2008.

disrespect towards union organization. In both China and the Philippines, workers often earn the minimum wage for full-time work at the factory. According to the report, the problem is that minimum wage in the Philippines is not enough to cover the basic costs of an average Philippine family. Due to growing protests and inflation, the Chinese minimum wage was raised in 2008. However, workers still struggle with covering their basic needs with their incomes.

Another remaining controversial issue of the ICT industry has been the extraction of conflict minerals, such as tungsten, tin, tantalum, and gold for consumer electronic production[226]. Many international activist groups have raised the awareness of Democratic Republic of Congo (DRC) conflict and the role of Western companies that source minerals from there. International studies[227] have confirmed that many laptops, mobile phones, and other electronic equipment contain minerals mined in conflict zones in Congo[228].

The issue emerged in the early 2000, when these minerals became extremely controversial after a link between them and fueling violence in Congo was found out. According to Enough,[229] miners working long hours in dangerous conditions earn only around one to five US dollars a day, while "…. militias make millions and millions about $ 180 million from trading in these minerals last year and they're to continue their existence and their armed struggle on the basis of this trade".

International Rescue Committee views that the conflict in eastern Congo from 1998 to 2003 has been the deadliest since the World War II[230]. It has been estimated that in the conflict, in which eight African nations fought for the control of Congolese's mineral resources, about

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[226] Mobile phone industry uses about four percent of the world's total supply of Tantalum.
[227] United Nations 2010.
[228] Business for Social Responsibility 2010b.
[229] Enough is a project of the Center for American Progress. It was found in the early 2007 to end genocide and crimes against humanity in Sudan, Eastern Congo and areas of Africa affected by the Lord's Resistance Army (Lezhnev & Prendergast. 2009).
[230] International Rescue Committee 2007.

five million people have died and nearly a million people have died from starvation, conflict and preventable diseases. According to the UN, 200 000 women have been raped and children have been used for mining, fighting and other work. According to *Powering the Mobile World* report by Make IT Fair project, 50 000 children are estimated to work in the mines of Katanga in Congo were cobalt is extracted. The children are exposed to high health risks as they are exposed to mineral dust that irritates their eyes and damages their lungs.[231]

In addition to these problems in the ICT sector, the complexity of the ethical challenges that face the ICT sector is predicted to grow. In the future, the ICT sector will face a values conflict over the use of Internet and software technology by repressive governments to censor information and track down opponents. [232]

Similar to many other major ICT companies, Nokia has been publicly criticized for using suppliers that do not provide adequate benefits for workers and for supplying conflict minerals, and indeed some misbehavior has been documented. According to the theory presented in this study, these conditions would make the company operate both under process and systemic vulnerability respectively, if the company had not been able to demonstrate its consistent corporate social responsibility policy and programs that aim at improving its suppliers' operations to create less harm to society and the environment. Next it is discussed why Nokia has put these programs in place and how it has become recognized as a good corporate citizen by many important external groups.

[231] Nordbrand & Bolme 2007.
[232] Covalence 2010. Covalence is a Swiss firm that tracks the ethical reputation of multinationals.

Nokia – A Good Corporate Citizen

Nokia, among other multinational corporations, awakened to the importance of the emerging norm of corporate social responsibility in the latter part of the 1990s. This awakening was a natural consequence of the spreading of Nokia's business operations abroad. The management realized that the globalization of the operations will expose the company to variety of new social and environmental risks and they wanted to ensure that those risks would be effectively managed. By the end of the 1990s, the company had become global and expanded in many countries where legal requirements were not the same than in Europe, or they were partly or wholly absent. Exposure to these new risks was seen to threaten brand and shareholder value.[233] Therefore it was decided that an internal organization was needed to evaluate these new potential risks and to find out how the company could be protected from them.

As a consequence, two divisions were set up in the early 2000. One was for corporate social responsibility, and its primarily task was to consider the possible risks and equip the company with a systematic strategy with consistent goals to protect the company from those risks. The other one was set up to bring Nokia to comply with the European environmental regulations. At the time, the EU's environmental regulation was also strengthening and Nokia needed to become compliant with the new regulations. This naturally directed the emphasis on the environmental issues too. The two organizations within the company established the firm foundation for Nokia's corporate social responsibility.

To demonstrate its conformance to the norm Nokia incorporated the code of conduct to guide all company operations as well as its corporate social responsibility and business ethics.

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[233] Isosomppi, interview in December 2010.

According to its corporate social responsibility guidelines, the company fosters diversity and equal opportunity among its work force; it strives to reduce its harmful environmental impacts of its operations and products, and does not tolerate corruption and requires its partners to comply with laws and regulations. Although these guides have been refined few times over the years, the actions taken by the company since their incorporation in 1997 illustrate that Nokia has had a sincere attempt to live up with them, and thus can be regarded a good corporate citizen.

Anne Klemetti[234], who directed the corporate social responsibility department within Nokia from its early years, emphasized in an interview in March 2011 that the senior management decided that a consistent corporate social responsibility strategy was needed, above all, to build an "insurance" to cover all offices and sites. In the early 2000, the management thus forecasted that the company operational principles that were established within Finnish culture were to be stretched to cover all Nokia operations as normative trouble could evolve unexpectedly and hurt the company. According to Klemetti, the management was wholly aware of the importance of systematic work that the company needed to do with these issues. Also, the need to become compliant with the European level new environmental regulations was obviously influencing Nokia's decision to invest time and money in corporate social responsibility.

Hence, the company was not under any harmful normative attack or it was not exposed to harmful NGO pressure, when the decision to conform to the emerging norm of corporate social responsibility was made. There was no crisis to handle when the corporate social responsibility function was established, rather it was established to prevent crisis. According to Klemetti, this required a company-wide transparent model for dealing with social and environmental issues in all operations and all sites to build a consistent track record to demonstrate that the company

[234] Klemetti, interview in March 2011.

"walks the talk". [235] Such determination to make the company responsible throughout its processes across the countries demonstrates that Nokia's executives were careful not to ignore the consequences of negative externalities of activities, in contrast to the executives of those companies that operate under process and systemic vulnerability. Rather the Nokia executives acknowledged that those consequences are likely to lead to confrontation and risky publicity and thereby create losses in profits. Hence, the management saw the clear causal link between the external normative expectations of what constitutes a responsible behavior of a multinational company and the bottom line. This was shown by the determination of the management to shield the company from potential criticism and to invest in proactive strategy to ensure that its operations are responsible across countries. The company thus took good care of its negative externalities before external groups put a price to them.

For the senior management at Nokia devoting resources to corporate social responsibility was thus a decision that was taken after weighing the cost and benefits of the issue, as the rationalist understanding of norm compliance expects. Because the company needed to protect itself from the possible new risks, there were hard business incentives to invest in corporate social responsibility. Hence, Nokia did not comply with the norm as a result of harmful normative pressure as is often the case with companies that operate under vulnerability – either process or systemic vulnerability – as the Chiquita and Coca-Cola cases will exemplify in the following. Nor did it comply with the norm as a result of norm internalization as suggested by constructivists. It complied with the norm because it was regarded a smart thing to do to protect the business.

This highlights how the company's vulnerability differs from the two other types of company vulnerabilities. While the two other types of vulnerabilities that are caused by ignoring

[235] Klemetti, interview in March 2011.

externalities and result to risking material gains if a change of practices is not made, in low vulnerability there is no pressure to change of practices.

But because it was considered highly important to proactively protect the brand and the shareholder value, the early corporate social responsibility policy at Nokia was notably boosted in 2002 by the decisions that the senior management should oversee the corporate-wide corporate social responsibility policy, and that the executive board approves the activities as part of the strategic planning process. These decisions signaled the boarder public that corporate social responsibility issues have been regarded high in the company's agenda early on.

Nokia has communicated on these undertakings to its external groups since 2002, when it published its first environmental report. The first separate report on corporate social responsibility came out in 2003. The first two environmental reports published in 2002 and 2003 reflected the company's growing responsiveness to the concerns of corporate impacts on the nature. They discussed Nokia's efforts to improve employee wellbeing, community welfare and the state of the environment, and described how these issues have been absorbed and integrated into everyday operations.

In the beginning, special emphasis was placed on human rights and environmental issues, reflecting the growing awareness on the potential of these issues to harm the brand. Because the idea was to protect the company from possible risks, it was natural that Nokia emphasized strongly its responsibilities as an employer with respect to human rights based on the UN Declaration on Human Rights and ILO requirements. To support the active role in human right and environmental issues, Nokia committed to the UNGC principles in 2001 as one of the first companies. The company also put into place internal policies to provide concrete guidance for employees who deal directly with human rights and environmental issues that they can monitor the compliance of human rights and environmental requirements within company operations in different countries. Few years later all the employees took an on-line training course on these issues.[236]

During the early stages of striving for environmental stewardship, Nokia's goal was to reduce the negative environmental impacts of its internal operations. To reinforce the goal of becoming more environmentally responsible, employees were engaged through an on-line magazine in 2002. A year later, Nokia worked with WWF to find new ways of enhancing Nokia's environmental performance and increasing the environmental awareness of employees.[237] Two years from the first environmental report, the company set a clear goal of becoming environmental steward within the industry sector. According to Olli-Pekka Kallasvuo, an executive vice president at the time being,

> "Our continuous goal is to set the industry benchmark in environmental performance and seamlessly integrate environmental aspects into our strategies and operative activities. Caring for the environment is everybody's business."

On environmental management, the company complies with voluntary certification systems ISO 14001, OHSAS18001, and PCMM conventions. One of the core targets has been to reduce energy consumption and greenhouse gas emissions. Other important target has been recycling. According to Mikkonen[238], Nokia is currently actively researching the use of recycled plastics in their products, which are currently used only in packaging.

The company's awakening to the importance of environmental issues can be traced back to the simultaneous developments in the market place. In the early 2000, the philosophy and practice of corporate social responsibility was visibly emerging and corporate community sought

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[236] Klemetti, interview in March 2011.
[237] Rohweder, interview in December 2010.
[238] Mikkonen 2010.

to enhance their non-financial performance. The company goals thus reflect the recognition that corporate social responsibility is a critical issue and as a market leader it is Nokia's responsibility to lead the way towards more responsible business practices within the industry.

Since 2006, the goal of being an environmental steward has been further intensified as the general public awareness of the importance of sustainable development has grown ground and gained world scale awareness. Nokia, then, expanded its goal of making a positive impact. On one hand it decided to do it through its products and services that enable people to make more sustainable choices and on the other hand through requiring the suppliers to be more responsible.

The company made a policy that its suppliers should also take a similar ethical business approach. A survey conducted in 2004 showed that Nokia was sourcing from responsible companies.[239] However, since many external groups later questioned the reliability of supplier assessments that Nokia had used to conduct the survey, Nokia admitted that the assessments it conducted only provided "snapshots and did not cover the whole picture". The company supply chain specialist Abigail Oxley-Green responded to the critics and stressed that each company is responsible for its own practices, but "it is the responsibility of the company to promote good practices and supply chain management to our suppliers, and to help them improve in case gaps are identified". According to Oxley-Green, the main focus was on the first tier suppliers, but it became soon apparent that effective upstream supply chain management is also essential to gain broader credibility. She therefore suggested strongly that there should be a follow-up, and the company should collaborate with suppliers and other constituencies to enhance supply chain transparency and sustainable development of those chains. She explained that Nokia was to

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[239] According to the survey, a majority (88 percent) of the suppliers had an environmental management system in place or planned to certify one before the end of 2006. Almost all (97 percent) suppliers had an environmental policy, and a vast majority (78 percent) has criteria for their own suppliers. Also, 79 percent of the companies had a documented design system considering environmental aspects, and 95 percent of them were prepared to declare the material content delivered to Nokia. (Nokia 2004)

tackle the issue through communication, clear requirements, training, and supplier assessments.

The company did set new requirements. It decided that all suppliers have to have an environmental management system and a company level code of conduct in place. According to the company web pages, “Before agreeing to work with a supplier we ensure that these standards are met, and we visit a number of suppliers on an ongoing basis to review standards. We also work with suppliers on training and support to help them implement and improve standards.” According to the 2009 Sustainability Report, a survey of suppliers’ code of conduct implementation found that ninety-two percent met the requirements and the company will help those that do not meet the expectations to take corrective action. Since 2007, Nokia has also initiated supplier collaboration to work on energy efficiency targets that go beyond Nokia’s current environmental supplier requirements. [240]

A part of its corporate social responsibility work is that Nokia is a member of international organizations and initiatives that promote corporate social responsibility. Active participation and work in these associations also illustrates the company’s commitment to raising awareness of ethical business conduct. Those organizations include membership in WBCSD, the European Information, Communications and Consumer Electronics Technology Industry Association (EICTA), Cellular Telecommunications Industry Association (CTIA), Electronics Industry Alliance (EIA), American Engineering Association (AEA), Mobile Manufacturers Forum (MMF), Global Business Dialogue on Electronic Commerce (GBDe), and The National Electronics Product Stewardship Initiative (NEPS).

Summing up, Nokia has a consistent history of fostering good corporate conduct and it has demonstrated its determination for continuous improvements through training employees,

[240] According to the survey, a great majority of the direct suppliers’ sites (92 percent) were certified to ISO 14001. These certified suppliers accounted for more than 98 percent of the hardware purchasing expenditure.

participating in industry associations and monitoring suppliers. Due to the systemic work on these issues, Nokia has gained the appreciation for its environmental work from influential environmental groups and industry associations. In its annual rankings for market leaders in the electronics industry, Greenpeace ranked Nokia first in 2009. According to Greenpeace, Nokia has a good track record in cutting the amount of toxic chemicals in its products, promoting recycling, and reducing impact on climate change.[241]

Within the private sector rankings, Nokia has been rated for several years as the leader within the Europe and Communications categories in Dow Jones Sustainability Indexes, and in 2009 the company was named the world's most sustainable technology company[242]. Nokia was also ranked as one of the best twelve performing companies in Carbon Disclosure Project rating[243]. Nokia is also included in the FSTE4Good index that measures companies' performance that meet corporate social responsibility standards. In 2008, Goldman Sachs ranked Nokia as a leading company among thirty-nine technology hardware companies in the categories of environmental performance, social performance and overall performance in a global technology hardware analysis.

NGO Concerns for Nokia

To be sure, Nokia is considered a good corporate citizen and it is constantly improving its

[241] Greenpeace, Guide to Greener Electronics.
[242] Selecting components from 2 500 companies in over 50 countries, the indexes are relied upon by leading institutional investors.
[243] Nokia was also one of the six disclosure score leaders in Carbon Disclosure Project with fifth highest scores among 111 information technology companies.

operations to become a more responsible corporation. Despite of that, it has also received negative attention. However, as mentioned earlier, it has managed to maintain its normative legitimacy and thus operate under low vulnerability. In cases where it has faced criticism, Nokia has been drawn to the press due to improper labor conditions and the raw materials it has supplied[244]. Although these cases have been unfortunate to the company, they have not caused significant harm to the company reputation and profits, and the image of the company has maintained rather polished.

This is partly due to the company's policy to examine the allegations carefully and engage in dialogue with the groups claiming for unethical conditions in order to ensure that they are not continuing. According to the company, "Most allegations have been found inaccurate, but in some cases there have been areas of improvement, which we have taken up with our suppliers and will monitor in our regular supplier assessments."[245]

In addition to specific issues that have raised the need for a dialogue, the company also started a wider global-level dialogues in 2006 that brought together clients, suppliers, regulators, consumers, NGOs, and European politicians to raise different issues and generate a better perspective on them. According to Klemetti[246], these events have been important occasions to meet the opponents and listen their views and gain more comprehensive understanding on the changing external expectations on the company's operations.

In 2008, *The Decent Factory* film described the poor working conditions in one of the Nokia's suppliers' facility in China, and questioned the company's decision to use suppliers that pay poorly and provide working conditions that are not so shiny; all the while Nokia was making

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[244] Isosomppi, interview in December 2010.
[245] Klemetti, interview in April 2010.
[246] Klemetti, interview in April 2010.

record-high profits.[247] The film pointed out that by Finnish standards the wage are quite modest and Finns doing the equivalent work would earn more in a day than Chinese get per month.

Criticism with Chinese factories had intensified already in 2005, when two Finnish NGOs, Finnwatch and the Finnish ECA (Export Credit Agency) spotlighted Nokia for faulty working conditions at a factory in southern part of the country[248]. Their Reform Campaign report revealed that Nokia and its subcontractors operations in southern China confirmed what the campaigners had suspected[249]. The report claimed that factory employees work long hours, their working conditions are poor, and the living conditions of some of the workers are inhumane. They pointed out that Nokia’s factory in Dongguan in southern China compels its employees to do more than the legal maximum of overtime work, and pays its workers less than the minimum wage. Workers that work temporary were in the weakest position; their pay and terms of employment were worse than among regular employees. Because temporary workers amount to almost half of the workers at Nokia's Dongguan factory, the issue of temporary workers is considerable. However, in comparison to the conditions at other Finnish-own factories, Nokia factory was better in many ways.

Nokia was quick to respond to these accusations. Martin Sandelin, responsible for corporate social responsibility, commented that the company obeys the law and legislations and pays over the Chinese minimum wage[250]. According to him, the local trade union operates at

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[247] A Decent Factory film by Thomas Balmes. Icarus Films, http://icarusfilms.com/press/pdfs/dec_pk.pdf

[248] The research was conducted by the Chinese ICO Research Institute, which interviewed 61 people working for Nokia and its subcontractors. ICO investigated the activities of the Finnish companies Perlos and Salcomp, as well as the Taiwanese Foxconn and the Chinese BYD. The only factory that the investigators were allowed to visit was the Perlos plant in Guangzhou. Originally the NGOs did not want to include Nokia in the study, as they were more interested in how the subcontracting chain operates. However, the organizations' Chinese partner ICO wanted to include the Nokia plant for its own reasons.

[249] Institute of Contemporary Observation & FinnWatch Finnish ECA Reform Campaign 2005.

[250] According to Sandelin, the workers at the factory have a forty-hour working week, and a maximum of 48 hours with overtime, and that Nokia seeks to follow the principle of the same pay for the same work for both its regular employees and temporary workers. At the time, the minimum wage in the Dongguan region was 450 Yuan, about €

Nokia's Dongguan factory, and Nokia helps finance it by paying the union two percent of the factory's payroll costs.[251]

Another sensitive issue that Nokia has been associated with is the claims that Nokia uses conflict minerals. A Danish documentary *Blood in Mobile Phones* came out in December 2010 and it linked Nokia to the conflicts in eastern Congo. The film was made to address the connection between mobile phones and conflict minerals and to let people know that Nokia's corporate social responsibility might not be so consistent as it appears to be in the public. The same critics has also been raised by a Finnish reporter Hanna Nikkanen, who wrote a book about it in the end of 2010[252].

The issue of conflict minerals did not strike Nokia by surprise. The company claims that already since 2001 it has been aware of the possibility that it might use conflict minerals and the potential link that exists between the mining of tantalum and the financing of the brutal violence in Congo. According to the company:

> "Even though we do not source or buy metals directly, we are very concerned about poor practices at some mine operations around the world. We require high ethical standards in our own operations and our supply chain. Mining activities that fuel conflict or benefit militant groups are unacceptable."

According to Nokia representatives, the company is actively working to tackle the issue of conflict minerals in different ways and working to ensure that the materials are sourced in legal or ethical ways[253]. The company is actively working to increase the transparency of the supply chains of these materials. It has also created an internal substance list requirements. The

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40 a month, and at the Nokia factory the minimum wage for temporary workers is 700 Yuan (€ 60) a month, and for employees with fixed contracts it is 900 Yuan (€ 80).

[251] Helsingin Sanomat, www.hs.fi/english/article/Nokia+refutes+NGO+claims+of+poor+treatment+of+Chinese+workers/1101978871136

[252] Nikkanen 2010.

[253] Isosomppi, interview in December 2010.

company has also been working with suppliers of other minerals, such as cobalt and tin, to improve transparency of the supply chain and find out how to use alternative new substances, such as biomaterials. The work has been difficult:

> "It's a big challenge to trace materials to their original sources. This involves thousands of companies and changes in the mining industry. Also, because of the complexity in the way that metals are produced and sold, sometimes ores from many different sources are combined to make the final materials with no or limited traceability. To make further progress requires industry-level action both amongst electronics companies and the mining industry, and Nokia has been actively participating in this discussion."

In 2004, Nokia began working within industry associations to resolve the traceability challenges of supplying minerals and joined Global e-Sustainability Initiative (GeSi) and the Electronic Industry Citizenship Coalition (EICC). Both of them seek to improve the traceability of metal sourcing. One of the joint achievements of the organizations has been a research project on the challenges of the supply of metals for electronic products, which they carried out in 2009. The study analyzed how the traceability of their sourcing can be improved and how the industry can influence the conditions. These results were later shared with NGOs who were invited to plan the next steps. The groups are also tracing the supply of three metals, cobalt, tin and tantalum to find out about the conditions under which they are extracted from.

In July 2009, Nokia replaced its self-assessments with the self-assessment questionnaire developed by GeSi and EICC. The new assessment helps companies to collect and analyze social and environmental responsibility data provided voluntarily by their suppliers. The questionnaire revealed promising results[254]. According to Nokia 2009 Sustainability Report, the company will work with the suppliers that needed improvements. It stated in its web site: "If we find that standards are not being met we do not walk away but work with that supplier to address the issues

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[254] The average corporate questionnaire score was 89.5 percent and the facility score was 87.4 percent.

and in so doing help to raise overall standards."[255] Nokia has also joined RosettaNet, a voluntary industry initiative of over 500 major information technology and electronics manufacturers worldwide committed to developing solutions for standardized exchange of information with suppliers.

According to Isosomppi[256], in addition to working with the traceability issue at the mineral supply chain, Nokia continues with its commitment in working to enhance human rights in business. In this effort, Nokia follows the work of John Ruggie, who works as a special representative of the UN Secretary General on Business and Human Rights. Isosomppi has also been involved with the development of the international standard on social responsibility, the ISO 26000. Due to these emphasis put on the responsibility issues, the company is defending itself on the website:

> "In the end, it is a bit disingenuous to suggest that we are not doing enough in this space. We think our actions and activities show clearly what we believe in. That we haven't stood on a soapbox or flung open our books does not mean that we are any less committed to continued efforts in solving issues around mineral sourcing and local health, safety, environmental, and labor standards. It goes without saying that we will continue our efforts with the same high level of determination and hope to continue driving the electronics industry in the right direction."

Taking together, despite these concerns Nokia can be considered to have ethical operations and thus to operate under low vulnerability. This means its profitability is not threatened by external normative pressure. As of April 2011, NGO campaigns against the company have not seriously harmed the brand, and the accusations have focused on issues that are not in its processes but beyond the company's reach, on the supply chain it uses. Nokia has demonstrated consistent efforts to strive to reduce all the negative effects and works at the company and

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[255] Nokia 2009 http://nds1.nokia.com/NOKIA_COM_1/Corporate_Responsibility/Sustainability_report_2009/pdf/sustainability_report_2009.pdf

[256] Isosomppi, interview in December 2010.

industry levels to monitor the operations of its suppliers. In the case of conflict minerals, Nokia is actively looking for ways for alternative metals and working towards improved transparency of metal sourcing. There are many other countries where these metals can be mined, including Australia and Brazil[257]. Hence, the company's operations are deemed ethical and it works to improve its suppliers' operations to be ethical too. In regard to conflict minerals Nokia is not systematically vulnerable to activist pressure on the use of these minerals, because it is not depending on these systemic resources as those minerals can be sourced somewhere else too.

This low vulnerability, identified in the theory, allows Nokia to maintain its relationship with society at the symbolic level. Because it is not in the need of finding a trusted NGO partner to begin comprehensive internal improvement programs to regain broader societal trust and normative legitimacy as is the case with companies that operate under higher normative pressure and are in the need of those changes in order to ensure shareholder value, that is to deliver more social and environmental "goods" and fewer "bads".

As discussed in the following, Nokia maintains its relationship with society via variety of social and environmental programs it has created with international NGOs. Because these programs associate the company with well-respected organizations, they are above all marketing and public relations efforts to make the company known as a good corporate citizen in those communities. The programs express the good will of the company. Next these programs are discussed in more depth.

[257] EICC 2009.

Part Two: Programs To Do Good In Society

Symbolic partnerships evolve when actors seek to achieve further reputational benefits. Symbolic partnerships are project-based and loose engagements in which interaction between an NGO and a company does not need to be regular and no specific procedures of developing trust are required. Typical to these engagements is that corporate input is limited to funding the programs, whereas the role of the NGO is to provide a recognizable forum or a meaningful framework for common projects. As a result, both parties gain positive attention and social appreciation.

Nokia that operates under low level of vulnerability has chosen to engage with NGOs by initiating a variety of “community involvement” programs carried out with NGOs in communities across the world. The main reason for these NGO-engagements is thus to respond to the spreading of corporate social responsibility as an emerging international norm in the market place and to provide with concrete programs to demonstrate the company’s conformance to that norm. During the years, this has paid back in PR-rewards. The programs have brought positive publicity and garnered accolades from various institutions. They have been commended as projects that use information and communications technology to improve living conditions and increase economic growth.

Youth Programs

In early 2000, Nokia decided to focus on youth and education to achieve brand-related rewards of cooperation with NGOs. This was a logical decision. During the time, Nokia was spreading its operations across the world and its technology was enabling new solutions to many fronts in peoples' lives, not least how they connect with each other. Because the company identified itself as a "forward-looking", youth became not only a natural focus for the community programs but also a convenient link through which the company could connect its programs in different countries. The main impetus of the programs was that the company needed to show up positively in the new markets[258].

Another reason to focus on youth was that the company also sought to establish mechanisms to listen to and learn from this group and integrating the feedback generated into its innovation processes and future visioning. The former CEO Jorma Ollila stressed the importance of youth focus for the company:

> "In the future that Nokia's business is shaping, people will have the technology to communicate anytime, anywhere. Helping young people improve their skills, knowledge and connections to society is a natural outgrowth of Nokia's business, vision and values."[17]

Moreover the programs were designed to spark off wider societal impacts through benefiting parents, teachers and other members of the community and suited therefore well with the objective to demonstrate good corporate citizenship. Although this was first of all a market tactic to make the brand known as a good corporate citizen, it was clear from the beginning that

[258] Isosomppi, interview in December 2010.

through them the company strives "significant impacts", and the programs should be designed to have a clear connection to the core business.[259]

Hence, early on these community involvement programs were designed to contribute to the communities the company was present. They were similar to traditional corporate sponsoring and philanthropy as the overall function of them was to enhance marketing activities in communities where Nokia was present, but they were different from them in that they were built to achieve longer-term strategic societal benefits through Nokia's core capabilities, the technological solutions.

The first programs with NGOs under the label of community involvement began in the early 2000. According to Klemetti, these programs were built as a "natural evolution" of Nokia's turn to the US markets. Because there was a long tradition of the corporate community involvement programs within the US, it became natural that Nokia too would establish such programs in communities where it operates.

To launch the youth development programs, the International Youth Foundation (IYF) was found a fitting organization. Founded in the 1960s by Rick Little, the organization works "to build young peoples' character, confidence and competence and to connect them to their families, peers and communities". The organization currently supports youth development programs in nearly sixty countries and has a tradition of working with corporations. In addition to the purpose of IYF, its geographic presence was also a good fit to Nokia's own vision of connecting people:

> "We believe that access to various media such as radio, music video, the Internet, mobile devices and television helps to empower young people. Engaging young people helps them become active citizens and enables them to have a say in decisions that affect their lives."

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[259] Klemetti, interview in March 2011.

In April 2000, Nokia and IYF launched a multi-year partnership called "Make a Connection". This global initiative focuses on locally driven programs that improve educational opportunities for young people and teach them life skills. Nokia's initial financial commitment to the program was $10 million over four years and it was decided that Nokia will leverage more money as well as ideas and technology through employee volunteer efforts. By December 2010, the program has reached over 420 000 young people in twenty-six countries and Nokia has used $ 34 million to fund these local programs which all share "a commitment to equipping young people with essential skills that will empower them to become competent, confident, responsible, and caring adults".

It was decided that the country programs would be implemented by local NGOs, which were seen to provide a means for achieving important youth development outcomes in different countries. According to Greg Elphinston, director of corporate social innovations at Nokia, those outcomes include improved performance at school, increased literacy, job placement, and active citizenship[260]. For instance, Conéctate has provided Colombian youth with training in information technology and developing their self-esteem, creative and critical thinking, and communication skills. Kapcsolodj supports the efforts of young community volunteers in Hungary and has equipped them with project management and budget planning skills. Mudando a Historía has trained Brazilian youth to serve as reading mentors to disadvantaged children. Similar to Hungary, the projects in the Czech Republic, Poland, and Russia have focused on supporting young people to contribute to their communities. In Venezuela, the project has helped disadvantaged youth acquire vocational and life skills aimed at helping them get jobs or become

[260] Elphinston, interview in July 2007.

entrepreneurs. In the US, the project has focused on young people to learn to express themselves through art. In Nigeria, young people have been trained to become leaders.[261]

Another youth program "BridgeIt", designed to bridge the digital divide by bringing multi-media learning methods to classrooms in developing countries through utilizing existing mobile products and satellite technologies and the 3G network, illuminates the similar aim of demonstrating good corporate citizenship in communities where Nokia is present.

The program has been in operation since May 2003. It was developed after good results of the engagements of IYF[262]. It is also a youth program that is implemented in communities where the company operates in and brings together Nokia and IYF with Pearson and UNDP, partners that also see the collaboration beneficial to them. It brought credibility to the project and for UNDP concrete achievements in its goals. According to Terence Jones, practice leader and former resident representative in the Philippines UNDP:

> "Capacity development is a central goal for us. This means empowering societies, institutions, communities, and individuals to access knowledge and use it to make more effective decisions to better their lives."

The main idea of the program is to make a contribution to the quality of learning and teaching in underserved schools and communities. According to Mark Nieker, president of the Pearson Foundation:

> "BridgeIt is part of the ongoing effort to extend proven technologies to the world of education. This initiative gives teachers the power that mobile technologies already offer others as a way to share ideas and explore new ways of learning with their students."

According to Klemetti, these organizations were seen as naturally fitting partners to Nokia's efforts to contribute to communities. The chairman of Pearson was sitting in the Nokia

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[261] Reese, Thorup & Gerson, www.iyfnet.org/sites/default/files/WW_Public_Private_Partnerships.pdf
[262] Klemetti, interview in March 2011.

board at the time of the initiative and it was viewed that Pearson would gain equal reputational benefit from the project.

In 2003, the program was launched in the Philippines under the title "text2teach" and 240 schools and 900 000 pupils across the country participated to the program. The program consists of 480 supported lessons directed at 5th and 6th grade teachers. The material consists of a library of 370 science, math, and English videos and is integrated into daily classes.

According to the University of Philippines, program has been successful: an impact assessment demonstrates a significant increase in average academic scores and decrease in absenteeism. The positive impact of the program has been studied to reach beyond the classroom, as the project has motivated school officials, parents, and community leaders. Hence for Nokia, BridgeIt program represents a new way of contributing to society in positive way that can be measured by the test scores and enhanced teacher and parent involvement to learning process. Not surprisingly then, the company views the collaboration successful. For instance Anne Klemetti views the program as a good example of "how the public, civil society, and private sectors can cooperate successfully both at the local and global level".[263]

Because the partnership has been successful in bringing about concrete results in the communities and generated good PR for the company and the NGOs involved, it has extended and attracted more participating organizations. In December 2010, the program was launched in eleven public elementary schools in Dagupan City, Pangasinan, Philippines, in partnership between Globe, Ayala Foundation, Southeast Asian Ministers of Education Organization Regional Center for Educational Innovation and Technology and the Department of Education. These organizations provide the learning environment of Dagupan elementary schools with the

[263] Klemetti, interview in March 2011.

community launch of the Text2Teach program in Dagupan City. According to Globe president Ernest Cu,

> "Knowledge is increasingly becoming the most important currency today and modern technology is a tool that helps transfer, share and apply that knowledge. With Text2Teach, Globe strengthens its commitment to use its superior mobile technology to educate and empower young Filipino students. Building a better life and reaching their dreams, this is where Globe can help." [264]

Both Nokia-sponsored youth programs are symbolic gestures to contribute to the society. An important element of the programs has been the effective use of information and communications technology. Text2Teach has won several awards and garnered accolades from various institutions. It was a finalist in the 2006 Stockholm Challenge in Sweden – ICT Prize for entrepreneurs and projects that use information and communications technology to improve living conditions and increase economic growth. Text2Teach was also recognized as best in Support and Improvement of Education Category during the 2006 Asian CSR Awards.

On environmental issues, Nokia has similar NGO-engagements that aims at positive reputational gains under "Connect2Earth" program. It is a green on-line community launched by WWF and IUCN in 2008 with Nokia sponsorship. The program enables young people to express their views on the environment by uploading videos, pictures, and comments. It is a joint project between Nokia, WWF and IUCN, which has evolved as a natural expansion on Nokia's collaboration with WWF from 2003 under the "Global Partnership Agreement". Nokia has also been a financial supporter of WWF's project "Operation Mermaid" in the Baltic Sea.[265]

In 2008, Nokia intensified its collaboration with WWF and joined its "Climate Savers"

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[264] Through the extension of the program, more than a million students from 302 public elementary schools in Quezon City, Manila, Isabela, Ilocos Sur, Cagayan Valley, Benguet, Pangasinan, Batangas, Calapan, Oriental Mindoro, Antique, Cagayan de Oro City, Maguindanao, Cotabato City, North and South Cotabato, and Sharif Kabunsuan are able to use Text2Teach. (Globe 2010)

[265] Rohweder, interview in December 2010.

program that works to reduce greenhouse gas emissions. Until then, its collaboration with WWF has been financial support to conservation work and developing mutually beneficial activities promoting sustainable development. The Climate Savers –program requires internal reductions in greenhouse gas emissions. WWF also helps Nokia conduct footprint assessments in different areas and set environmental targets according to the findings. Nokia and WWF have also agreed that WWF pilots its "Green Office Plus" program in certain offices. According to Liisa Rohweder, executive director of WWF Finland, Nokia is an important strategic partner in that it helps raise environmental awareness and provides mobile technology solutions that can be used as WWF downloadable content to encourage people make sustainable choices in their everyday lives. Given the size of the company and the magnitude of the brand, WWF Finland views the collaboration as its most significant corporate partner. Nokia also supports WWF's nature conservation internationally, and is a major supporter of WWF's "Living Himalayas Network Initiative".[266] Nokia has similar engagements with other environmental NGOs. One of them is a program with IUCN China in which they work together on an advocacy program for local people in the Miyun County to enhance local knowledge of watershed management in an area that faces serious water shortages. The Miyun Reservoir is the main source of drinking water for seventeen million residents of Beijing.[267]

Symbolic partnerships are formed to bring positive reputational benefits and they are not much substantially different from traditional corporate philanthropy. With the exception of the Climate Saver Program, which requires commitment to internal improvements in energy use, the above discussion shows that Nokia's programs with NGOs are external to its operations.

[266] Rohweder, interview in December 2010.
[267] Mikkonen 2010.

Mobile Technologies for Development

It has been described above how the scale and scope of Nokia's social and environmental responsibility has been reactive to the general evolution of these issues in global public awareness, not by harmful NGO-pressure. This is also the case with the community involvement programs. In the beginning of the twentieth-first century, the programs were philanthropic *socially conscious* programs targeted to benefit mainly young people, but in five years the emphasis started to change towards programs that provide solutions to global problems. This again reflects the general growth in the awareness of the importance of corporate social responsibility in the market place and the gradual evolution in the corporate social responsibility thinking in which emphasis has shifted notably from taking responsibility of own operations towards providing solutions to global problems, and thus Nokia's policy and responsiveness to this change.

This change in emphasis was visible in 2006, when Nokia set a more concrete goal to turn the company's core competences into "social innovations". In the late 2010, Pekka Isosomppi, who directs social regulation and corporate social responsibility at Nokia, explained that the core of the new corporate social responsibility was to contribute devices and services that help people and improve the planet[268]. This goal was stated in the 2009 Sustainability Report in the following way:

> "As well as exploring direct business opportunities, we have started research to help us better understand and make the most of the impacts of mobility. There is plenty of macroeconomic data, anecdotal evidence and common sense to suggest that mobility benefits societies in many ways. Mobility also has benefits that are over and above the generic benefits of ICT. Yet the full consequences of mobility are yet to be discovered. Political, social and business processes, for instance, are rapidly changing because of the

[268] Isosomppi, interview in December 2010.

> increased mobility of communication. When 4.5 billion people use mobile phones every day, the sheer magnitude of this phenomenon must profoundly change the fabric of society.“

Since 2006, a part of the community programs have been labeled as “Mobile Technologies for Development”, and in December 2010 there were programs with different NGOs to “bring the benefits of mobile technology to more people in ways that reflect our values and our responsibilities”. These programs range from donations and sponsored programs to partnerships. According to Greg Elphinston,[269] the programs mirror the company’s dedication to bridge communication gaps around the world through providing universal access to communications technology. Through these programs, Nokia seeks to use mobile technologies to provide both social and economic improvements. Those include better access to information, enhanced business opportunities and increased potential to network with others in the community and make the technologies a powerful weapon in the fight against social exclusion.[270]

One of the programs has been the “Village Phone”, which has helped to boost economic development in rural areas in developing countries. In 2006 Nokia and the US-based Grameen Foundation began collaborating with an idea to provide access to affordable telecommunications services[271]. This was an important reputational gain for Nokia[272]. The program is build on the work of Professor Muhammad Yunus and the Grameen Bank in Bangladesh, who received the 2006 Nobel Peace Prize for their concept of microfinance as a tool to create entrepreneurship as it develops network connections in areas with poor infrastructure. Microfinance has been widely praised for its ability to build entrepreneurship in communities and generating extra income that can be used to educating one’s children or paying for one’s own housing. For example, in

[269] Elphinston, interview in July 2007.
[270] Isosomppi, interview in December 2010.
[271] The project follows the concept of Grameen Phone, a program being now operated in Uganda and Rwanda.
[272] Elphinston, interview in July 2007.

Uganda five thousand new businesses have been created since 2006 and the number continues to grow. Nokia considers the Village Phone –project to be an excellent example of today's collaborative efforts to make universal access a reality.

Since 2006 Nokia has been investing also in "Data Gathering" programs as a part of demonstrating its corporate social responsibility. These programs base on the idea that utilizing Nokia's own expertise in mobile technologies good things for society can be done[273]. Instituto Nokia de Tecnologia (INdT), which is a non-profit research and development centre in Brazil, developed software that can be used to help the public sector and NGOs accurately collect data in countries where infrastructure is poor or does not exist at all. It allows different organizations to collect data using mobile phones in remote locations, and transmit for analysis. The Amazonas State Health Department in Brazil has used the solution to fight against dengue fever in the city of Manaus in northern Brazil in 2006. The application can also be used for other purposes, for example to remind people to take their HIV/AIDS medicines on time. According to the parties, this is a social innovation: if taking medicines is ignored, the virus will mutate and cause not only health problems but it will also require a more expensive set of medicines.

Since 2006, Nokia has also worked with the international children's organization Plan International. In this collaboration Nokia offers its communication technologies to raise the children's awareness of their rights and opportunities to empower them in Africa. Various projects have been carried out in East Africa, Kenya, Uganda, Egypt and Senegal, as well as in Benin, Burkina Faso, Cameroon, Ghana, Guinea, Liberia, Mali, Mozambique, Rwanda, Sierra Leone and Togo, where 5000 youth have been trained on children's rights and radio technologies. In Uganda, the project for children help line has reached children who have been victims of violence and a weekly radio program "Kids Waves" have raised awareness on

[273] Isosomppi, interview in December 2010.

children's rights. In Kenya, a birth registration pilot "Community-Led Decentralized Model for Birth Certification" has been carried out.[274]

Conclusions

Nokia's programs clearly reflect that Nokia operates under low vulnerability to external normative pressure. The company has been exposed to NGO pressure, but the campaigning has not hurt the company to the extent that it would have damaged its normative legitimacy. The company is well recognized for its responsibility. This has allowed Nokia to run its NGO-engagements as programs that are built to give back to society. These programs are spread around various social issues to which mobile technology can bring new solutions. These corporate citizen initiatives are carried out to create goodwill and improve relations with significant corporate constituencies.

Because Nokia operates under low vulnerability, the conformance to the norm of corporate social responsibility thus does not require any changes to internal processes. Because Nokia was not under harmful NGO pressure and there were no crisis when the company began to build its corporate social responsibility approach, the community programs were not designed to involve issues or communities that have significantly been negatively affected by a company's operations or materially affected its long-term competitiveness. Instead, the partnerships were to market the company as a responsible company. The impetus for symbolic partnerships is thus more a moral duty than compulsion. Hence, instead of being embedded in the company's

[274] Elphinston, interview in July 2007.

operations, the driver for collaboration is the growing recognition of the need to balance economic and social interests and the reputational benefits that come along doing so.

Chapter IV

“We Opened the Door and Danced With the Devil. And We’re Better Off for It.”[275]

Introduction

Instrumental partnerships differ notably from symbolic partnerships discussed in the preceding chapter. They are pragmatic engagements that are designed to make changes in corporate practices. They therefore require direct NGO consultation in corporate operations in hands-on manner. The main difference between the two is that in instrumental partnerships companies let NGOs into their processes, whereas in symbolic partnerships companies and NGOs have only agreed to advance a common social or environmental cause that is not caused by the company, hence it is distant from it. In comparison to symbolic partnerships, instrumental partnerships represent a much deeper cooperation between the actors and require understanding for each other’s operating cultures. In instrumental partnerships actors become partners in change. This difference should be highlighted, because there has to be always substantial reasons before a company begins a dance with a possible devil.

A substantial reason for such a dance is a potential profit loss. It forces for-profit companies to review their relation to society in a new way and makes them to correct their courses. A company that has been defined irresponsible by society is harmed by external groups and thus operates under considerable normative pressure. The driver for these instrumental partnerships is thus the process vulnerability that a company has been exposed to and from

[275] McLaughlin, quoted in Esty & Windston 2006, 185.

which the company seeks to free itself from. The theory presented in this study predicts that after realizing that the normative pressure to change corporate practices is in essence business issue and therefore too substantial to ignore, executives seek NGO engagements to resolve the situation and to regain the lost legitimacy. In order to do so, they are likely to form instrumental partnerships with NGOs.

The underlying mechanism for instrumental partnership is a change in societal expectations and the subsequent conflict between the society and the company that the change in normative expectations on how a company should behave causes. A company whose practices are unethical and reputation questioned will face conflict about societal expectations of their organization.

This is exactly what happened to Chiquita Brands International Inc, the world's largest agricultural company in the early 1990s, when it found itself vulnerable to normative pressure that was hurting the company. The company produces, distributes and markets fresh and processes food. More than a half of Chiquita's $ 3.9 billion revenue comes from bananas. Chiquita supplies twenty-five percent of the banana consumption to North America and Europe. It employs some twenty thousand workers in 127 banana farms in five Latin American countries, Guatemala, Honduras, Costa Rica, Panama and Columbia. The company operates primarily through its owned farms and distribution operations: a half of the banana sold by Chiquita comes from the company-owned farms; third party suppliers produce the others.

It was not that the company had not been widely known for its dirty banana practices across Central America, rather it was the changing societal expectations on how the company should behave that became to shake the long-established bad practices of Chiquita. *The Smart Alliance*. *How a Global Corporation and Environmental Activists Transformed a Tarnished Brand* by Taylor and Scharlin describes how Chiquita emerged over the course of more than a hundred years from predecessor companies including the United Fruit Company (UFC) and the United Brands Company. Throughout its century-long history, the company has been a synonym for American dollar-company. It has been known as “the Octobus” (El Pulpo) for its broad reach and influence throughout Latin America. The company employs the largest number of laborers in the region, and has dominated the banana export and exerted its influence throughout rural communities in Latin America, where it has been leading the banana industry for a century.[276]

This chapter explores how in the early 1990s the practices that had been stereotypical to banana business for the past hundred years were no longer acceptable after local people in Costa Rica and large European retailers raised their concerns how bananas are grown and expressed their expectations of how the company should operate its business. The chapter explores how the subsequent management decision that followed to improve the internal processes was made by rational business reasons. Because the company needed knowhow to carry out such improvements, it needed to engage with an NGO to help it out, and therefore it invited the environmentalists in.

The case discusses the cooperation between Chiquita and Rainforest Alliance as an example of instrumental partnership between a multinational company and an environmental NGO. The partnership was instrumental as it helped Chiquita to conform to the norm of corporate social responsibility and regain the lost legitimacy and acquire respect from external groups such as trade unions and established social auditing institutions.

The chapter begins with discussing the corporate social responsibility issues within the banana industry and the rapacious history of Chiquita that made it to operate under process vulnerability. In contrast to symbolic partnerships, instrumental partnerships require risk taking from the side of the company to let an NGO into company operations in day-to-day bases.

[276] Taylor & Scharlin 2004; Werre 2003.

This is where the partnership differs from a symbolic partnership in important respects. Using the metaphor of a relationship, the instrumental partnership illuminates the engagement stage before marriage. Close collaboration between the NGO and the company requires mutual understanding, commitment and compromises, and the actors need to trust each other. The chapter discusses how such qualities of an instrumental partnership between Chiquita and the Rainforest Alliance were built, and how each actor gained in the partnership context.

Part One: Growing Normative Pressures to Change the Image of the Notorious American Dollar Company

In the late 1990s when Chiquita formed an instrumental partnership with Rainforest Alliance, it operated under process vulnerability. The public image of banana industry has traditionally been one of the most unethical ones and its bad processes have been known widely. The industry is large: bananas are ranked the fourth most important crop in the world after rice, wheat and maize. They are produced in about 120 countries in tropical countries. The global market size of banana business is around $ 5 billion a year. For many South American, Central American and the Caribbean countries bananas are an export commodity that makes a significant source of income and employment.[277]

Since the beginning on the twentieth century, banana business has traditionally been dominated by big players. According to Vorley[278], there are sixty million consumers, five

[277] Gonzalez-Perez & McDonough 2005.
[278] Vorley 2003, 51.

retailers with seventy percent of the market share, five companies in alliance of distributors with eighty-eight percent of the market share, and five transnational banana companies that control eighty percent of the world market. All together, there are 2500 plantations of which 15 00 are small-medium sized farmers and 400 000 plantation workers.

For many years, the big banana companies have been the symbol of all that was wrong with big multinational agricultural corporations, and their irresponsible agricultural practices have been widely criticized, especially during the 1990s[279]. According to Cohen, economic and political problems and the mistreatment of workers date back to the late 1800s in Honduras, when the first railway system that connected Central America with North America was built and American large fruit corporations began to buy land for production and shipped bananas to the US. Especially UFC, the predecessor of Chiquita, owned major parts of agricultural land in Guatemala, Honduras, and Nicaragua, and controlled the trade that grew exponentially between 1900 and 1930. Because these countries were politically and economically weak, they became to known as “banana republics”, countries that have been perceived powerless against the large corporation.[280]

In addition to these structural factors, there is a long tradition of environmental degradation and unethical working conditions that have come along with the multinational banana companies. For these reasons environmental and human rights activist groups have been concerned of banana companies’ practices for many decades. Advocacy groups have criticized many internal mal practices, and thus made also Chiquita exposed to harmful outside pressure.

One of the main concerns for environmental activists has been the large-scale deforestation resulting from clearing tropical forest for banana cultivation. This was especially a

[279] Wille, interview in April 2011.
[280] Taylor & Scharlin 2004.

heated issue in the 1990s, and has also affected Chiquita. A public concern over forest destruction grew when big banana companies bought Costa Rican land and forests in the northeastern part of the country and turned them into massive banana plantations. This mono-crop cultivation meant loss of cattle farms and primary rain forest and their location near many forest preserves and conservation areas disrupted sensitive ecosystems.[281] Banana farms, as described by Taylor and Sharlin, were:

> "chemical-laden, soil was impoverished and big areas of deforested wasteland; gullies filled with plastic waste and discarded cord; rotten banana carcasses and stalks; shanties with outdoor latrines and no shower and changing rooms for workers to remove protective clothing; murky rivers and streams; heaps of discarded chemical drums and other containers; and a noticeable absence of plant and animal diversity."[282]

Environmentalists and other activist groups have actively campaigned to raise awareness of pesticides used in the banana cultivation that are known to damage the nature and its ecosystems. The use of these chemicals grew dramatically when banana production grew in the late 1980s[283]. Towards the late 1990s it was common that workers pumped the chemicals directly into the ground or used irrigation guns to spray it into the air. This has been documented to cause allergies, cancers and sterility among the exposed workers.[284]

Activists have accused banana companies for killing or seriously sicken thousands of people every year due to these toxic chemicals. One of the pesticides that they have campaigned against is DBCP, known as nemagon, used to eliminate insects attacking the roots of the plants[285]. In 1992, the issue was raised in the international arena at the Second International Tribunal on Water in Amsterdam, where Dole was condemned for seriously polluting the

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[281] Werre 2003.
[282] Taylor & Scharlin 2004, 94.
[283] Wille, interview in April 2011.
[284] Taylor & Scharlin 2004.
[285] Padre Gerardo Vargas has been one of the long-time activists who have addressed the consequences of dangerous aerial spraying of DBCP. (Taylor & Scharlin 2004)

Atlantic region of Costa Rica through its banana operations in the Valle de la Estrella. Also former workers took legal proceedings against Del Monte, Dole, Chiquita and agrochemical companies during the period of 1965 to 1990 for injuries sustained from direct exposure to DBCP[286]. A plantation worker has described the use of DBCP in film named *Bananas* in which twelve Nicaraguan banana plantation workers are suing Dole for concealing the dangers of a pesticide that they claim made them sterile:

> "I was 21 years old, what did I know? Nobody told us anything. For two years, I applied Nemagon without mask, gloves or protecting clothing. You pump it directly into the ground. Sometimes, the pressure made the liquid splash right in your face. You could feel the hideous smell across 100 meters."[287]

In 1997, class-action lawsuits against Dow Chemical and the banana multinationals, including Chiquita, were filed in US courts by some 24 000 banana workers. They claimed that the chemicals caused their sterility.[288]

In addition to these adverse environmental and human impacts, the banana industry has been widely known for its miserable working conditions and suppression of labor unions. Because bananas grow year around and need to be harvested daily, the work at plantations is demanding. Workers work long hours in the package-houses and often suffer from both occupational health issues and psychological effects of excessive control by management, isolation from family and poor or non-existing maternity benefits. Especially, women workers away from their children have been a concern for many activists. There have also been reported

[286] Gonzalez-Perez & McDonough 2005.
[287] Bananas Film 1994.
[288] Taylor & Scharlin 2004.

cases of sexual harassment.[289] Some producers justify sexual harassment as a part of the banana culture.[290]

Activists have also addressed the child labor issue at banana plantations. In the Spring 2002, Human Rights Watch produced a report, *Tainted Harvest* that focused on the child labor issue. The report was based on careful research on children, workers, government officials, and a three weeks visit in Ecuador for data collection. In the report, all three American banana companies were accused for not demanding fair treatment of workers on independent farms in Ecuador that sell to the companies. According to the report out of forty-five children interviewed all but four had begun working on the banana farms or packing stations between ages eight to thirteen. The report also accused independent farmers of spraying children with pesticide from crop dusters.[291]

The banana industry is also known for low wages and poor prices for local producers. According to Banana Link, an English NGO, only retail traders make large sums of money. Also, the banana trade has been surrounded by claims of bribery.[292]

Chiquita and the Awakening of Political Consumerism in Europe

Chiquita started to face the potential of obvious business losses in the early 1990s as a result of change in normative expectations on how it should operate its business. This forced the

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[289] Gonzalez-Perez 2006.
[290] Banana Link 2004, 3-5.
[291] Taylor & Scharlin 2004, 154.
[292] Gonzales-Perez & McDonough 2005.

company to consider its relation to society in a new light. The company had found itself vulnerable to normative pressure from its European retailers and it soon became obvious that the new expectations were starting to harmfully affect the business. Large important European retailers started asking questions about how social and environmental concerns were dealt at the farm level. They indicated strongly that they would refuse doing business with companies that would not adopt their practices according to these expectations. In other words, retailers drew a clear causal link between the expectations of corporate social responsibility and profits, and brought front the issue and its criticality to corporate executives at Chiquita.

Behind this was that European consumers had raised their concerns about the origins of the bananas the retail chains pay as a consequence of NGO activism against the banana business[293]. New political consumerism had emerged and people were increasingly concerned of the ethics of food production and trade. These consumers acknowledged that their action is a form of political participation in that it mobilizes public opinion. They sought to "civilize" globalization by paying attention to the products they pay and where the products are produced and how workers are treated. They wanted to know if the bananas they buy are "eco-and-people-friendly" and "guilt-free" products.[294]

This political consumerism affected Chiquita. Europe was its large market and many retailers increased their demands for "certified" bananas. Especially supermarket chains in Scandinavia, the UK, the Netherlands, and Germany were concerned of the financial implications of these consumers who were changing purchasing practices accordingly to their ethical preferences.[295] NGOs pressured the big customers of Chiquita, which began to put significant weight on corporate social responsibility issues. According to Marco Werre, these

[293] McLaughlin, interview in December 2010.
[294] Gonzalez-Perez & McDonough 2005.
[295] Taylor & Scharlin 2004, 127.

requirements were motivated by the wish to minimize the risk that one of the suppliers would be involved in unethical business. One the other hand some retailers wanted their suppliers to be leaders in corporate social responsibility because they wanted to lead in corporate social responsibility themselves. Supermarket chains in the UK were particularly concerned about the conditions on the farms. Asda and Tesco visited the plantations in Central America.[296]

Because the pressure to improve environmental and social processes was coming from Europe, it had clear affect on Chiquita[297]. At the time, it was estimated that as a consequence of the growth of political consumerism twenty percent of Chiquita's European markets were threatened. And the game with the supermarkets was straightforward and did not leave much option. Mogens Werge from FDB, a Danish supermarket cooperative chain[298], told Chiquita that there were only two ways to do it: "Either you improve the environmental and social conditions on your farms, or we'll find a supplier who will."[299] Although expensive and time consuming, Chiquita had to take the issue seriously, yet at the same time there were considerable losses in market share as a result of the European trade restrictions[300].

Social and Environmental Issues at Chiquita

Chiquita's exports have been a major part of the foreign trade of the Central American countries in which it operates. The company's influence to the economic and social development

[296] Werre 2003; McLaughlin, interview in December 2010.
[297] McLaughlin, interview in December 2010.
[298] FDB is the Cooperative Retail and Wholesale Society of Denmark, founded in 1896 and is now a large grocery wholesale cooperative.
[299] Taylor & Scharlin 2004, 130.
[300] Taylor & Scharlin 2004, 131.

of the region has been massive. It has created thousands of jobs and built railroads, houses, hospitals, ports and ships to bring bananas to market. The other side of the coin has been that being such a powerful player, as pointed out by Taylor and Scharlin, the company has also been capable to control land, railroads, a huge fleet of refrigerated vessels, workers, and governments, even certain members of the US Congress.[301]

In fact the history of the company has been murky. In the late 1920s, there were allegations of Chiquita's participation in labor rights suppression in Colombia, the use of company-ships in the US government-backed overthrow of the Guatemalan government in 1954 and involvement in a bribery scandal in Honduras in 1975. In the 1980s and early1990s, the company was known for its closed and defensive culture.[302]

In 1990s, the main concerns have been addressed over Chiquita's large environmental impacts and improper labor conditions. Environmental groups have been especially concerned of Chiquita's deforestration practices, water pollution and pesticide use. There is also a documented history of worker abuse.[303]

One of the persistent anti-Chiquita activists has been Stephen Coats and his colleagues at the US Labor Education in the Americas (USLA) project. The project was found in 1987 as the US/Guatemala Labor Education Project, with trade unionists and human rights advocates who were first concerned about the basic rights of Guatemalan workers but have later expanded their work in other countries in the region. The organization works for the basic rights of workers in Central America, Columbia, Ecuador, and Mexico, especially those who were employed directly or indirectly by US companies.

Also Alistar Smith, who heads Banana Link, has been visibly protesting Chiquita. Banana

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[301] Taylor & Scharlin 2004.
[302] Werre 2003.
[303] Gonzalez-Perez & McDonough 2006.

Link is an English NGO that advocates small-farmers Fair Trade in the UK. According to Alistar Smith, the organization doesn't have a problem with multinationals per se, but it does "have a problem with companies that abuse their power toward people who work for them, and the environment."[304] The organizations have brought together European NGOs and trade unions to form the European Banana Action network of EUROBAN in 1994[305]. It is a coalition of trade unions, including IUF, environmental and development NGOs and fair trade organizations in thirteen European countries that has defined its role in the following:

> "The role of EUROBAN and its members, though, is to open the space, so that dialogue can actually take place, to enable the workers to join trade unions, to enable trade unions to engage in dialogue with the companies. As organization in consumer countries, we can just put pressure on the companies and governments through consumer pressure, through different kinds of actions and campaigns to open up that space for the unions to be able to engage in that dialogue."[306]

Part Two: Program to Become a Responsible Company

The developments that led Chiquita executives to understand that the company's poor processes had put the company under harmful external pressure forced them to reconsider the company's relation to society in a new light. It became clear that under such pressure the company couldn't continue its business as usual, and the management decided that it was time "to shake off the one hundred years of banana republic reputation in order to protect a valuable

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[304] Alistar Smith, quoted in Taylor & Scharlin 2004, 60.
[305] European Banana Action Network is a network of over 30 European NGOs and trade unions in 12 countries, which work together on workers' and environmental rights, for a reform of the European banana import regime and on fair trade bananas. Members include alternative trading organizations that market fair trade bananas, national and international unions, and development and campaigning organizations.
[306] Quoted in Gonzales-Perez & McDonough 2006, 18.

brand name"[307]. In addition to increased awareness of the moral value of corporate social responsibility, a certainty emerged that there was a strong business case for implementing corporate social responsibility, especially in regard to European buyers and the growing political consumerism in Europe. Steve Warshaw, who became CEO in 1997, stated the new impetus for corporate social responsibility:

> "Things have changed. Our stakeholders expect more of us. We expect more of ourselves. Our understanding of … what it means to be a responsible corporate citizen is quite different than it was not long a ago".[308]

Better Banana Project

Along the public awareness on the negative externalities of the banana industry grew in the early 1990s, the initial need to pay more careful attention to the cultivation practices at Chiquita farms arose in Costa Rica, where local managers were forced to deal with the growing attacks against the banana companies. The expansion of banana plantations was "causing local Costa Rican citizen groups to take up the cry against the Yankee Devil and his banana company capitalists".[309] According to Dave McLaughlin, who worked at the time as a general manager at Chiquita's Costa Rican farms, every Thursday night a local TV program discussed how horrible the industry practices were and forced Chiquita to respond. As McLaughlin told in an interview, "the growing confrontation from the local communities needed to be handled well".[310]

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[307] Taylor & Scharlin 2004, 9.
[308] Stein 2001, 10.
[309] Taylor & Scharlin 2004, 98.
[310] McLaughlin, interview in December 2010.

So in 1992 McLaughlin contacted the Rainforest Alliance, an environmental NGO that works against the destruction of the rainforests, and invited the organization into one Costa Rican farm. Earlier in 1990, the Rainforest Alliance had joined NGOs to denounce the multinational banana companies and used "months to break down the initial hostilities that had built up between greens and bananerous"[311]. Instead of boycott, the alliance approached big banana companies for an industry-wide standardization for responsible farming, and found out that certification was a method that allowed all sides to begin talking at a common place, with shared objectives. According to Chris Wille, chief of sustainable agriculture at the Rainforest Alliance[312], boycotts are meaningful as they pay attention to problem but do not fix them, but the alliance wanted to work to fix the problems. After approaching the banana companies, the Rainforest Alliance experienced that the companies were interested in talking to environmentalists who could share their knowledge and ideas for solutions that did not threaten and who really knew about banana farming and its economic, ecological and technical challenges.[313]

Despite the fact that the banana industry was suffering from terrible reputation as a consequence of the growing concern for deforestration, pesticides and a large sterilization case due to the use of DBCP, Chiquita alike others, dismissed the certification proposal as too expensive. The Rainforest Alliance, found in 1987 by Daniel Katz, has been one of the first NGOs to develop initiatives with multinational corporations and local communities to improve the conservation work. The organization is today one of the largest NGOs working on verifiable best practice programs in forestry, agriculture, and tourism and active in eighty countries.

[311] Wille 2004, 288.
[312] Wille, interview in April 2011.
[313] Taylor & Scharlin 2004, 99.

In the late 1980s and early 1990s, after gaining some experience of certification with tropical timber management under the organization’s Smart Wood –label, Katz together with his colleagues contacted big banana companies with the idea of improving the banana business. By then green labels were already widely known and used from light bulbs to toilet paper, and Katz was determined that certification was a better way to save wildlife habitats and to help the people in developing countries who produce export commodities than just protesting imports of tropical hardwoods, rainforest beef, coffee and bananas.[314]

So instead of confrontation, the alliance initiated the Better Banana Project (BBP) to reduce the negative environmental impacts of banana cultivation and to improve working conditions in the industry. The method was to conduct annual inspection and certification against the BBP-standards by external auditors from local NGOs. As a result, the Better Banana Project would provide a seal of approval for those banana farms and plantations that meet the criteria for responsible farming. The Sustainable Agricultural Network, a larger network of other environmental NGOs that works to improve commodity production in the tropical areas, set the requirements for certification that included the following nine principles:

1) Ecosystem Conservation
2) Wildlife Conservation
3) Fair Treatment and Good Conditions for Workers
4) Good Community Relations
5) Minimal, Strictly Managed Use of Agrichemicals
6) Integrated Management of Waste
7) Conservation of Water Resources
8) Soil Conservation
9) Environmental Planning & Monitoring

Before Chiquita made the decision to adopt the Better Banana Project, it wanted to make sure that Better Banana scheme was liable. It asked another NGO, CI, to conduct a review of the

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[314] Taylor & Scharlin 2004; Wille 2004.

program to make sure that it was scientifically and environmentally solid. After a six-month field study carried out by CI and Tropical Science Center, it was concluded that the Better Banana Project should be continued and supported for its goals because it "is an innovative system that looks for environmental improvement…serves as a guide for the establishment of environmental measures, and promotes gradual changes in land use and practices." [315]

The first meeting between the Rainforest Alliance and Chiquita in Costa Rica in 1992 was a steppingstone for a company-wide transformation in which Dave McLaughlin of Chiquita and Chris Wille of the Rainforest Alliance played key roles. In the same year, McLaughlin allowed the alliance to use two Costa Rican farms as test beds to end the environmental abuses. Based on this experience, McLaughlin was convinced that standardization would work[316]:

> "The Better Banana Project standards provide comprehensive requirements that must be met by each farm for both initial certification and ongoing annual compliance inspections by independent auditors. Because of its scientifically valid and increasingly rigorous performance standards, independent verification by local conservation organizations, and continuous recertification, the Better Banana Project establishes clear performance standards that significantly exceeds those of other standards in use in the banana industry."

Next, the partnership between Chiquita and the Rainforest Alliance is discussed as an example of instrumental partnership as it has been instrumental for improving the company's corporate social responsibility and to regain its normative legitimacy. The partnership is based on the company's perception of its vulnerability to external normative expectations and the following decision to improve the social and environmental issues at banana farms and to use an independent NGO to publicly benchmark the new commitments to gain credibility for the process[317].

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[315] Chiquita, Financial Release, http://phx.corporate-ir.net/phoenix.zhtml?c=119836&p=irol-newsArticle_pf&ID=132904&highlight
[316] McLaughlin, interview in December 2010.
[317] McLaughlun, inteview in December 2010; Wille, interview in April 2011; Taylor & Scharlin 2004, 5.

According to Werre, the partnership that started as a Better Banana Project influenced Chiquita significantly in several ways. Firstly, the project exposed Chiquita's executives to a "radically different point of view" and gradually changed the bad corporate practices to responsible operations and made the company an industry leader. Secondly, NGO audits on farms were critical to making the company culture more open and transparent. Thirdly, through third-party standards and external verification Chiquita adopted the idea of continuous improvement in its environmental and social issues.[318]

Building Trust

An important part of the partnership deal was that Chiquita opened its front door and let the NGO in. This required enormous amount of trust, as according to McLaughlin, "in the early 1990s it wasn't common that companies trusted environmentalists, neither was it common they opened their doors to environmentalists".[319] In 2004 Taylor & Sharlin[320] wrote: "… no other multinational in any industry had been willing to make such a bargain with a possible devil. The pact represented a highly unusual level of trust between an advocacy group and a multinational company". Similarly within the four walls of the Rainforest Alliance, engagement with the corporate sector was a new thing. As Chris Wille recalls:

> "There was no reason to think that a small group of activists coming together in New York City to decry the destruction of distant rainforests would eventually form partnerships with

[318] Werre 2003.
[319] McLaughlin, interview in December 2010.
[320] Taylor & Sharlin 2004, 75.

> some of the same companies it was protesting or that businesses would ever welcome NGO guidance and oversight".[321]

Somewhat telling is that at first McLaughlin didn't tell others that he was talking to environmentalists. More specifically, he didn't tell that he was listening them how to reduce chemicals, recycle materials, protect forests and improve workers' rights. As McLaughlin told later in an interview, his initial concern was to settle down the situation in Costa Rica with the angry local people and he was quite convinced that working with the environmentalists was the way to do it. He was determined that he needed to raise the bar of the farms, and was convinced that standardization was the way to build the needed credibility.[322]

But what he didn't know was that the certification was a difficult and time-consuming process. He told in an interview that the overall purpose of the process was to address land degradation and prevent the spread of deforestation resulting from old-fashioned agricultural practices and to ensure worker health and safety standards that the principles called for. The problem, as it turned out to be, was that the SAN standards needed to be put into practice in farms, but no one had prior experience or sufficient knowledge how to do it in concrete terms. So McLaughlin was puzzled by what does companies compliance mean in practice. He, for instance, needed to establish what kinds of infrastructural improvements were needed in working stations to be in compliance with the new standard.[323] According to him,

> "Certification is much more than a tech fix. It is ongoing – day in and day out. For instance, when we started off in Guatemala, we got the infrastructure in but we couldn't get the people part in gear at first. The people part is the hardest. It's not just an engineering job. You've got to have that commitment from the people. You can have the best infrastructure in the world but you can also not use it right. That's where you run into the challenge of changing the mind-set of the people on the ground." [324]

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[321] Wille 2004, 288.
[322] Mclaughlin, interview in December 2010.
[323] Mclaughlin, interview in December 2010.
[324] Taylor & Scharlin 2004, 86.

Nor did the Rainforest Alliance have any previous on the ground experience to put a certification system in place for banana plantations. The building work was therefore very resource intensive and took eighteen months to finish. The process involved major changes at every step of the production process. According to McLaughlin, the work took a long time and required that each side had to be willing to make sacrifices in order to gain more in the end. "At the end of the day we learnt to work together very well and respect one another's point of view". According to Wille,

> "We gave them two important things: first, guidance – banana farmers didn't understand what environmentalists were complaining about because they didn't understand the impact their farms were having. We were able to outline the issues for them and then give them concrete, measurable, practical, and doable ways to fix, avoid, eliminate, or mitigate many of the problems. Of course, some banana company technicians helped design these new practices. Second, we gave them political cover. It was difficult for banana company people to talk to environmentalists. It made them look like wimps or apologists. But we gained enough credibility so that it was okay to work with us. That allowed the few closet environmentalists to 'come out".[325]

In addition to learning to work together hands-on, instrumental partnerships often require the ability to make compromises for the shake of the bigger gains for the actors involved. In the cooperation between the Rainforest Alliance and Chiquita there were two larger disputes. One of them was about the certification label on the fruit, which the Rainforest Alliance wanted to put but Chiquita refused to. The other conflict arose about aerial spraying of fungicides against Black Sigatoka, the virulent leaf spot fungus, which Chiquita refused to stop using because it can wipe out a farm in just few days. According to Taylor and Scharlin, the spraying was a major concession for the Rainforest Alliance, but it viewed it is better to continue partnering than to loose the chance to improve many other environmental abuses in large areas of land.[326]

[325] Qoating Taylor & Scharlin 2004, 98.
[326] Taylor & Scharlin 2004, 102.

Although McLaughlin was convinced of the criticality of the needed internal process improvements, finding support for it within the company wasn’t easy. He faced considerable difficulties inside his company while beginning talking to the Chiquita executives about the benefits of standardization and the expansion of standardization to all Chiquita-owned farms. He needed to sell the idea to his managers, and faced two shorts of reactions. At the beginning, some people found his work absolutely nonsense and thought that he was crazy if he talked with environmentalists. Others were ready to let the NGO in and help the company to fix the operations.

Public Eye Turning to Chiquita

The cooperation between the Rainforest Alliance and Chiquita that started in 1992 was fueled by a local level struggle that Chiquita managers needed to handle. However the possibility of large losses in profits grew significantly in just few years, as the company gained bad publicity nationally and internationally. This made the company more vulnerability to external normative pressure.

According to McLaughlin, one of the reasons that the cooperation with the Rainforest Alliance intensified in 1994 was because the Chiquita CEO Carl Lindner received the letters from children begging him to stop killing turtles. According to McLaughlin, this was a real wake-up call and the letters helped Chiquita executives realize the situation and the harm it made to the brand. Because this harm was too substantial to be overlooked, the CEO became strongly in favor of improving the operations and supported certification and McLaughlin’s work on improving the plantations processes became much easier. In 1996, Chiquita committed $ 20 million to become certified across its operations in all of its 127 farms in seven Latin American countries.

But all this was driven first of all by material interests associated with the accusations of ignorance of social and environmental implications of the company's business and the serious damage caused by that ignorance. An important evidence of this is the following quotation of Bob Kistinger, president and chief operating officer of the Chiquita Fresh Group:

> "We believed that it was critical for Chiquita to take a leadership position on environmental matters, because Chiquita has always been a leader and we need to be a leader in this. Our whole certification discussion was totally customer and consumer driven. That's the bottom-line. The brand is our most critical asset we don't want to anything that jeopardize this brand"[327].

Hence, although Chiquita started to pay greater attention to ethical sides of its business and improve the negative externalities embedded, the mechanism for the change was not a norm internalization process but pure rational business interests.

Another episode that further stressed the business criticality of the normative concerns was the harsh criticism and negative press Chiquita became exposed to in 1998. While working on the standardization of all farms, external pressure grew significantly and clearly reinforced the decision to move forward with the corporate social responsibility agenda. Behind the pressure was The Cincinnati Enquirer's screaming headline "Chiquita Secrets Revealed". An 18-page section described how the company was lagging far behind rapidly changing global norms and pictured Chiquita "exploitative company without a conscience". The newspaper described Chiquita's political, environmental, and human rights abuses in Central America, its terrible

[327] Taylor & Scharlin 2004.

working practices and illegal activities such as bribery, tax evasion, violence towards some workers and even killings.[328]

The articles claimed that Chiquita is disturbingly arrogant and that in Honduras, Guatemala and Colombia it secretly controls many supposedly independent banana companies, “evading laws limiting foreign companies' ownership of farms by setting up local fronts for the corporation's under-the-table investments”. One Honduran lawyer who works for Chiquita had told the newspaper that the company was trying to "hide its assets to evade ownership restrictions”, to "get rid of its Honduran labor union and protect itself from lawsuits and child labor law violations."[329]

The environmental violations that the articles described were equally upsetting. The company sprays pesticides banned in the US and Europe throughout Latin American farms. The company crudely neglects employee protection and as a consequence an 18-year old worker had died at one of the Chiquita subsidiaries in Costa Rica. The newspaper had found out that his coworker had told the local authorities that "He didn't have any experience in this kind of job and he wasn't using any protective gear like gloves and mask either”.

According to the articles, the company does not allow external audits on its plantations. Workers’ drinking water is also contaminated, which threatens their health. In addition, the security guards are accused of using brute force to enforce their authority on plantations. In one case, Chiquita called in the Honduran military to enforce a court order to evict residents of a farm village; the village was bulldozed and villagers run out at gunpoint.[330]

The impact of these articles was notable and caused pressure to change practices, despite the fact that just few days after they were published it turned out that the reporter had illegally

[328] Stein 2001.
[329] Stein 2001.
[330] Stein 2001.

listened Chiquita's voice-mail and the newspaper decided to publish a front-page apology and fire the reporter after agreeing to pay Chiquita $ 18 million in damages. But because significant harm was already done, the articles forced Chiquita executives to reconsider the identity of their company. The company needed to reconsider its corporate social responsibility and demonstrate it to wider public.[331] Hence, the articles were the last wake-up call for the management to start working on the corporate social responsibility issues. It was clear that Chiquita had become vulnerable to external normative pressure and it was threatening the business. Chiquita's processes were unethical and the news about it was spreading around.

Summing up, activist campaigns against the practices of banana industry and the awakening of the European political consumerism led Chiquita found itself in a vulnerable position. According to Werre, at the time corporate responsibility was not part of the company policy and different locations showed "substantial variability in their operations". Nor were there any management systems to provide the information needed to react appropriately to these allegations in the press.[332] Hence, Chiquita had become vulnerable to normative external expectations due to its processes and its brand was under fire. There were fears that Chiquita would loose its brand image which had been built during the decades, starting from advertising campaign that featured the Carmen Miranda –esgue Miss Chiquita and the popular Chiquita banana song that have been one of the most memorable in history and helped make banana the world's most widely consumed fruit[333].

[331] Taylor & Scharlin 2004.
[332] Werre 2003.
[333] Taylor & Scharlin 2004.

Decision to Become a Responsible Company

As predicted in the theory introduced in this study, companies whose processes are deemed unethical by the society and harmed by such bad reputation, seek to improve their processes and are likely to turn to NGOs for help. After having suffered from external normative pressure, Chiquita realized that it would be better off by working with the environmentalists.

The company began to cooperate with the Rainforest Alliance in 1992 to improve environment, health, and safety issues on Costa Rican farms to gain certification for environmentally and socially sustainable bananas, and in 1996 extended the cooperation to cover all the farms owned by the company in Central and South America. By 1999, the certification had been applied at Chiquita farms throughout Central America.[334]

A critical element was the monitoring and auditing process that the actors agreed to. It was agreed that certifiers from the Rainforest Alliance could come in uninvited. And they did, and when violations were discovered the parties began working on the issues to fix them. This didn't cause any big issues. McLaughlin recalls: "Generally, if they want to change something, we'd talk about it and try to understand it."[335]

However, it was not until 1998 that the company made these improvements more public[336]. According to McLaughlin, this was simply because the standardization and the internal process improvements had taken a long time and the company was not ready earlier to come to public with its work. Since 1992 Chiquita had built credibility through standardization and concentrated

[334] Taylor & Scharlin 2004.
[335] Taylor & Scharlin 2004, 88.
[336] Taylor & Scharlin 2004.

first to the farms that produced for European markets and by the end of 1990s the company had reached the level of improvements that it became meaningful to talk about them publicly.[337]

Another reason was that the formal decision to adopt corporate social responsibility was made in October 1998, when a senior management group for corporate social responsibility was established. The CEO Warshaw led the group and the decision to integrate corporate social responsibility into its overall management structure was made. According to Werre, the scope wasn't first very clear and the group needed to build better understanding on corporate social responsibility issues. However, based on the experience in the market place it had become clear to the managers that the issues were increasingly valuable and customers were placing more attention to them.[338]

According to Werre, much of this was due to Warshaw's high motivation in corporate social responsibility. Warshaw understood that responsibility mattered and he didn't want to see any more bad press. He drove strongly that responsibility should to be more integrated with the corporate strategy.[339] The view of Robert Dunn, a leader of the Californian-based Business for Social Responsibility (BSR), an organization advocating corporate social responsibility, supports this. He recalls the visit of Mr. Warshaw in San Francisco in August 1998:

> "What was extraordinary was that when we meet a CEO in person, he usually wants us to visit him. In this case, Warshaw came to us. After a very short exchange of pleasantries, Warshaw reached into his briefcase and from several pages of a yellow pad, consulted a list of maybe eighty-seven or eighty-eight questions he wanted to pose about a potential partnership between his company and BSR."[340]

In August 1999, concrete steps were taken towards a new corporate culture emphasizing responsibility. They were taken after engaging almost one thousand employees throughout the

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[337] McLaughlin, interview in December 2010.
[338] Werre 2003.
[339] Werre 2003.
[340] Taylor & Scharlin 2004.

organization in thinking about the culture in which responsibility was to guide the daily actions and decisions of all Chiquita employees and to provide the context for strategic business decisions. Moreover, in May 2000 Chiquita expanded its code of conduct to include also social responsibilities. It included standards in the areas of food safety, labor standards, employee health and safety, community involvement, environmental protection, ethical behavior, and legal compliance.[341]

Standard for Labor Conditions

What was revolutionary in regard to the company's adverse relations with the union members in history was that in 2000 Chiquita started using the international standard for labor issues, the well-respected Social Accountability International 8000 (SAI 8000). The standard was adopted to set the level for new labor treatment. SAI 8000 is a voluntary standard for workplaces based on the core ILO conventions, the Universal Declaration of Human Rights and the United Nations Declaration of the Rights of the Child.

The Better Banana certification requires that the farms are also socially responsible. The standard requires that there is an auditable social plan in place, namely allowing workers a right to organize and to join labor unions. Chiquita began to work on the social issues in order to establish broader trust in its corporate social responsibility efforts. Because of the company's vulnerability to external normative pressure, it was clear to the management that the company needed the support from and cooperation with the labor unions to build trust and gain broader

[341] McLaughlin, interview in January 2011.

legitimacy to become recognized as a responsible company[342]. According to Gonzales-Perez and McDonough, within the banana industry and its tradition of lousy labor treatment and protection, the code of conduct and other internal improvements would have been pointless if the relationship with the unions maintained bitter[343].

Two years earlier, in 1998 Chiquita engaged in a dialogue with labor organizations such as the International Union of Food Workers (IUF) and COLSIBA. In terms of gaining credibility, especially the COLSIBA involvement was critical. It guaranteed a review committee meeting at least twice a year. An agreement between IUF, COLSIBA and Chiquita was reached, and it provided unseen labor rights to banana workers: a freedom of association and the right to join unions, minimum labor standards by core ILO conventions and the appointment of a review committee to oversee the application of the agreement. In addition, the agreement granted fair dealing and collaboration to ensure a continuous improvements in number of fields, including the quality of Chiquita's products, productivity, efficiency and flexibility of workplace practices, the quality of work life for employees and the commercial success and sustainability of Chiquita's operations.[344]

After completing the code of conduct in 2000 massive training program was run throughout the company. Employees were educated about the new corporate values, code of conduct and culture, all the way from management to the lowest management level of farms. Their rights and duties as workers were told to them and they were also made more familiar with the issues via a corporate responsibility newsletter.[345]

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[342] McLaughlin, interview in January 2011.
[343] Gonzales-Perez & McDonough 2006.
[344] Gonzales-Perez & McDonough 2006.
[345] Werre 2003.

The first performance review was published in Chiquita's first public report on corporate social responsibility, based on data gathered in 2000. Between September 1998 and February 2000 sample audits were performed across Chiquita's operations. Even though the first audits were not satisfactory and pointed out a number of significant areas of non-conformance with the standard, Chiquita's management considered that adopting SAI 8000 was a good decision due to its higher credibility and for being an excellent driver in forcing progress. Indeed, because the standard had been developed with union participation, it was the best insurance for credibility. According to IUF agriculture representative:

> "Once we have trade unions working, we think that is the best way to ensure that workers in the banana industry have the chance to negotiate decent wages and good living conditions and for us to ensure that right is there. There is a lot of discussion these days about corporate social responsibility and codes of conduct, but our position is very clear: trade unions are the best way for workers to win their rights and to be sure that their rights are enforced and monitored because the trade unionists are in the plantations every day… The reality in the banana sector is that in many countries trade unions do not have the right to operate. There is a lot of trade union persuasion of trade union leaders, black lists, and in fact in some countries, death threats and actually murders of union leaders… One of the strategies that the IUF is trying to take is a more global approach to look for the major players in the industry and say 'We want you as a responsible company to agree to framework of rights in your company'… rights based on the convention of International Labor Organization to ensure workers in that company have the right to join trade unions, and we use that to be sure that workers have the right to bargain for health and safety, decent wages, and increasingly issues concerned with women workers like maternity leave, child labor, and education for children."[346]

The social audits thus were critical in civilizing the traditional hostile relations between Chiquita and the labor unions. Previously the relations were conflictual, but they improved considerably after Chiquita began to work with the union. It was clear that the agreement was a turning point and improved the company's relationship with society dramatically.[347] According

[346] Quoted in Gonzales-Perez & McDonough 2006, 16.
[347] McLaughlin, interview in January 2011.

to Warshaw, Better Banana was thus the “granddaddy of Chiquita’s whole social thrust”[348]. Chiquita management considers this agreement critical in forging stronger external relationships and improving the reputation. Also, the new relationship with the unions improved Chiquita’s position in the banana industry. Georg Jaksch, corporate social responsibility director at Chiquita stated,

> “The agreement with the IUF was one of the most important decisions that we made, if not the most important decision that we made. It is creating an on-going dialogue with trade unions and workers in Latin America. It has become an instrument of cooperation and continuous improvement … We believe that doing this, looking at this from a purely Chiquita perspective, this was very important step…, not only establishing ourselves in the eyes of our consumers as a corporately responsible company, because we realized we have much to do in that respect. We have seen great benefits in our own company. One of the consequences, which is visible to everyone, is that we have changed the way that we conduct our labor relations. From very difficult conflictive relations often leading to strikes and work stoppages to a situation were problems are solved through a structured process of dialogue and cooperation, this was very important within the atmosphere within the company.”[349]

According to Werre, not all labor unions treasured the new code of conduct. For some, the code was clearly a positive step, but some reacted with suspicion and skepticism, which they perceived as a window dressing operation to ease the pressure coming from the external groups and general public.[350]

In 2001 the company management was ready to integrate the corporate social responsibility vision and the corporate values into a five-year business-strategy, making corporate social responsibility formally one of the five main long-term goals of the company.[351] In practice, this meant that each strategic business decision is evaluated in terms of corporate social responsibility criteria. For example: a decision to acquire a new farm will only be taken

[348] Quoted in Taylor & Scharlin 2004, 26.
[349] Quoted in Gonzales-Perez & McDonough 2006, 14.
[350] Werre 2003.
[351] Werre 2003.

when the due diligence investigation either proves that the farm is already in compliance with the code of conduct, or that compliance can be reached with a reasonable effort.[352]

Cleaning Up Chiquita

When the Rainforest Alliance and Chiquita started to build the certification system in 1992, the work needed to start from the scratch and considerable trust was needed to carry out the profound changes throughout the plantations. With the help of McLaughlin, the Rainforest Alliance began its close, independent scrutiny of company-wide practices which later, due to different external and internal company developments, led to a transformation in which damaged Chiquita brand became an industry leader in corporate social responsibility. Critical to this process was that McLaughlin was open-minded and let the environmentalists inside the farms to do their job.

To become certified through Better Banana Project required that Chiquita's farms had to implement and pass more than two hundred criteria that cover environmental protection, reforestation, biodiversity, fair worker treatment, and good workplace conditions. Within the work, the principle of continuous improvement was highlighted. That meant that Chiquita allowed Rainforest Alliance onto its farms to certify that the company's performance was improving every year.

Four months after the initial four-hour visit at Chiquita Costa Rican farm in 1992, where McLaughlin agreed to work with the Rainforest Alliance, Chiquita started reducing in

[352] McLaughlin, interview in January 2011.

agrichemical use and banning those chemicals forbidden in the US and Europe. During the next two years, several action points were defined. Those included phasing out the toxic pesticide paraguat, replacing it with the milder glyphosate and building new warehouses to store the chemicals. On its own, Chiquita had eliminated the use of Bravo (chlorothalonil), a fungicide registered by EPA for use on a wide variety of crops.[353]

To conserve land from soil erosion, Chiquita also reforested reserves in the eastern region of Costa Rica to help conserve water and soils. According to the Rainforest Alliance, more than 800 000 trees and bushes have been planted on Chiquita farms since the collaboration began. Recycling programs within farms were also an important part of the improvements and they were designed for all materials that can be reused. As a result, Chiquita recycles 3 000 tons of plastic per year and all plastic bags are reused to protect banana stems from insects, the sun and leaves. Now all packing stations have waste traps, which help to keep the rivers and streams clean. Plastic bags are also reused as material in water pipes, buckets, building materials, and paving stones. Composts have been built to recycle waste and conserve soil and water. Banana leaves and stems that are composted and release natural nutrients are used to fertilize the soil. The bruised bananas that cannot be sold are given to farmers who use them for cattle feed.[354]

By 2001, all Chiquita farms achieved certification on more than 71 000 acres of its 127 company-owned farms in Colombia, Costa Rica, Guatemala, Honduras and Panama. By December 2005, ninety-three percent of independent farms supplying for Chiquita were certified. Together the certified bananas amount to fifteen percent of the exported bananas from Latin America. Certified bananas make more than ninety percent of Chiquita's total volume to Europe

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[353] Taylor & Sharlin 2004, 75.
[354] McLaughlin, interview in December 2010.

and approximately two-thirds of the volume to North America. Since 2005 Chiquita has sold bananas in Europe with the Rainforest Alliance label.[355]

External Recognitions

The collaboration with the Rainforest Alliance led to the incremental process changes and Chiquita begun to be known as a frontrunner for corporate social responsibility. This is demonstrated by the intensity and effectiveness of its corporate responsibility measures through both internal and external monitoring. The company remains transparent to external groups through annual corporate responsibility reports, which evaluate the positive and negative aspects of Chiquita's corporate social responsibility. The company is also an active member of many corporate social responsibility incentives and programs. According to Fernando Aguirre, the current chairman and chief executive officer:

> "Chiquita is a passionate, global corporate citizen and we take that responsibility to heart…. Through collaboration, energy and imagination Chiquita strives to turn each challenge we face into an opportunity to invest in a sustainable future both for our company and for the environment. We continue to make green initiatives a priority, and challenge others to do the same because we're all shareholders in the well being of our planet".[356]

Chiquita's commitment to responsibility also influenced the industry, given that Chiquita is the largest agricultural company in Latin America. When Chiquita started the Better Banana project, its competitors – Del Monte and Dole – started to work on their corporate responsibility

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[355] McLaughlin, interview in December 2010.
[356] Ecology, Environment & Conservation 2010.

issues too. But, as Taylor and Scharlin have noted, their work has been concentrated on building ISO 14001 environmental systems, and Chiquita remains the only global banana company that has undertaken and met voluntary environmental and social standards of the Better Banana project. According to Bob Kistinger:

> "We are proud to have raised the bar for ourselves and the entire banana industry…We have invested over eight years of effort and many millions of dollars, and we can credibly demonstrate now that Chiquita is truly a better banana. The Better Banana Project is a smart mix of improved business practices, better social standards and real environmental benefits." [357]

The Rainforest Alliance agricultural certification program have since been refined through the engagement of a variety of organizations, including unions, governments, scientists, and other NGOs. Tensie Whelan, executive director at the Rainforest Alliance, commented the Chiquita partnership in the press:

> "We commend Chiquita for their vision in choosing to participate in our Better Banana Project. Through their extraordinary efforts, the company has demonstrated their commitment to environmental and social responsibility, leading the way for the rest of the industry."[358]

As a result, Chiquita is today highly respected company among many environmental groups[359]. Chiquita has been applauded by Social Accountability International, with the Corporate Conscience Award for Innovative Partnership for its work with Rainforest Alliance and its high standards of environmental and social stewardship.[360] In 2002, BSR named Chiquita corporate social responsibility report in environmental and ethical labor standards as number one in the food industry, number three among the US companies and number eighteen worldwide.

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[357] Taylor & Scharlin 2004, 73.
[358] Chiquita, Financial Release, http://phx.corporate-ir.net/phoenix.zhtml?c=119836&p=irol-newsArticle_pf&ID=132904&highlight
[359] Alsever 2006.
[360] Gonzales-Perez & McDonough 2006.

The company has also been recognized for its corporate social responsibility reporting by CERES-ACCA with Award for Outstanding Sustainability Reporting. CERES-ACCA is a coalition of more than eighty environmental groups[361]. In 2004, Chiquita was also recognized by the Trust for the Americas organization for its employee home-ownership project in Honduras. Chiquita received the Corporate Citizen of the Americas Award for the project that provided six hundred families with new homes in 2003.

According to Werre[362], "the implementation of corporate social responsibility at Chiquita can be considered as a sincere attempt to transform the company, building a new sense of common purpose and aligning all business actions to this purpose". Looking back on what Chiquita has achieved and the system-wide changes it made, McLaughlin has commented:

> "I am in awe of the impact our values clarification and integration has had across all geographies, and on people. The level of discussion and transparency we have now is all due to the values. It is woven into our management performance systems. In many cultures and organizations with hierarchical structures, it is what the boss says. We had to bring these barriers down and give people a greater sense of participation and empowerment throughout the organization."[363]

Improving environmental and social conditions has also proved to be economically wise. According to McLaughlin, "Tracking from 1995, productivity on our farms went up twenty-seven percent and costs decreased by twelve percent because of a whole shift in cultural operating discipline - a way to do things right first".[364]

The Rainforest Alliance has gained too. Working with Chiquita helped the Rainforest Alliance to establish credibility at a mainstream level. The agricultural certification has grown to

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[361] CERES-ACCA Awards for Sustainable Reporting aim to encourage better reporting on sustainability, environmental and social issues by corporations and other organizations across North America.
[362] Werre 2003, 249.
[363] Taylor & Sharlin 2004, 75.
[364] McLaughlin, interview in December 2010; Epstein 2008.

include 6 500 farms and 200 000 hectares of land. According to executive director Tinsie Whalen,

> "What we learned about certification as an approach is that it is very concrete, with clear goals. We learned to use a language that field workers and managers can understand, rather than the polemic way sustainability is often talked about."

Although through Better Banana Project, Chiquita improved environmental conditions such as soil improvement, water quality, and rainforest conservation as well enhanced workers' health and safety on banana farms in Latin America, the purist conservation groups have maintained its critics towards the project. They claim that Chiquita paid the Rainforest Alliance for the certification, making an objective assessment impossible[365]. These groups have raised questions about the objectivity of the Better Banana Project. According to Campaign for Labor Rights,

> "Chiquita's use of pesticides degrades and destroys rainforests and poisons workers, sometimes fatally. Chiquita executives have found that it is far cheaper to pay willing "environmental" organizations to apply their stamp of approval than to pay for cleaning up the problem. Chiquita's environmental cover comes chiefly from its participation in the "Better Banana" program. Chiquita's primary partner in greenwashing is the Rainforest Alliance but the company also paid Conservation International for its services on behalf of the company image…. Anybody who is certifying as sustainable the extraction and liquidation to any degree of the world's native forest systems, now reduced to 40 percent or less of what they once were, is not doing humanity any service."

According to Chris Wille, Chiquita has reimbursed the costs for traveling and certifiers' time spend on the farms, but substantial funding for the Better Banana project comes from private foundations, mostly from the US and are raised independently by the Rainforest Alliance[366].

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[365] Wille, interview in April 2011; Taylor & Scharlin 2004, 88.
[366] Taylor & Scharlin 2004, 88.

Conclusions

In the early 1990s, Chiquita faced new normative pressure from different external groups to change its socially and environmentally destructive operations, and found out soon that the pressure was to be execrating and harmful to its brand and business. A century-long tradition of growing bananas and the negative social and environmental externalities it generated was strongly questioned first by the local people in Costa Rica and just few years later by large European retailers who no longer wanted to buy Chiquita bananas if the company did not improve its polluting processes and lousy ways to treat labor. Because profits were threatened by the loss of sales in Europe and the local unrest in Costa Rica, the company decided to take action and make improvements in its processes. There were strong signs that by the end of the 1990s and early 2000 public awareness on unethical business practices had grown, and Chiquita decided to correct its course. Towards the end of the decade the norm of corporate social responsibility was increasingly adopted in the market place and Chiquita needed to conform to the norm.

To be sure, the company operated under harmful external normative pressure to change its processes, and the impetus for investing in corporate social responsibility was driven by materialistic reasons, not through norm internalization. The fact that CEO Lindner was worried about the normative implications of the practices that had killed turtles and partly because of it initiated company-wide program to improve the situation can, however, be seen to result from pure materialistic incentives. If he had been concerned about the normative issues of the business practices before he was accused for them, he would have fixed the situation much earlier. This is because, as explained above, norm internalization requires that all decisions of an actor should be made through norm lenses, and the norm itself is then the primary mechanism for changing corporate behavior for the better, not harmful pressure.

As discussed above, the reasons for rational decision were more evident. NGOs were publicly campaigning against the company and the media reporting about its business practices wasn't flattering to the managers and owners. The processes were poor and the management had not been interested in improving the conditions of plants, mainly because the company had been profitable for the past hundred years and the poor conditions were taken-for-granted in the banana business. For the managers, there were no rational reasons to improve the operations – not until they realized that the norm of corporate social responsibility was starting to gain currency in the market place and Chiquita becoming increasingly vulnerable due to its lagging social and environmental processes.

In the course of events that changed the processes of Chiquita, and reshaped the banana brand, the engagement with the Rainforest Alliance has been instrumental. The Better Banana project, which Chiquita began with the alliance, was a time-consuming undertaking that questioned the agricultural practices and concentrated in the reduction in overall agrichemical use and improved the labor conditions. It led to new and less environmentally damaging agricultural methods and reforestation of tropical forests. The Better Banana project also led to independent scrutiny of company-wide labor practice, which are audited by independent third-party auditors who use a recognized international labor standard.

This transparency that came along with the process improvements carried out with the help of the Rainforest Alliance turned out to be key element in building the relationship with the labor unions. The results achieved by the certification boosted Chiquita's brand reputation. Customers became to associate Chiquita with appropriate labor conditions. In addition to the improvements at all Chiquita farms and the majority of its suppliers, the partnership has thus been instrumental in bringing together the banana industry, environmentalists, local communities, workers, and labor unionists to achieve positive changes on ground, common understanding, and results.

Table 3: Chronicle of Events of Chiquita's Corporate Social Responsibility

1990-1992	Rainforest Alliance sends a list of environmental and worker-rights standards required for gaining certification in the early 1990. Talks with Chiquita begin in 1992 and the cooperation begins under the Better Banana Project. First farms certified in Costa Rica in 1992.
1994	Rainforest Alliance begins certifying other Chiquita owned farms.
1996	Chiquita decides to budget 20 million dollars to certify all farms.
1998	Formal management decision made to invest in corporate social responsibility. Chiquita adopts corporate social responsibility policy. Code of Conduct is written.
2000	Chiquita expands its existing Code of Conduct to include social responsibilities. Chiquita adopts SAI 8000 as a labor standard in the Code of Conduct.
2001	Signing of an important labor agreement with the IUF/COLSIBA federation of unions, entitled Freedom of Association, Minimum Labor Standards and Employment in Latin America Banana Operations. Chiquita uses internal social audits for the Social Accountability International (SAI 8000) auditing team. COLSIBA and COVERCO, (based in Guatemala) invited to inspect the process. Chiquita publishes first corporate social responsibility report. Chiquita as the first shipping company to earn certification from the ABS for its Marine Safety, Quality and Environmental Management System (SQE), which the Chiquita shipping fleet adopted in 1998.
By 2002 to 2004	Chiquita's corporate social responsibility initiatives actively supported by Mr. Cyrus Freidheim, and also by Mr. Fernando Aguirre, President and CEO appointed in January 2004.
2004	All farms SAI 8000 certified.

Chapter V

“Water Sustains Us. Conservation Unites Us”

Introduction

This chapter explores The Coca-Cola Company’s (TCCC) collaboration with WWF as an example of pioneering partnership. Coca-Cola has several engagements with different NGOs, but the chapter concentrates on its partnership with WWF. The partnership represents a novel way of NGO-business collaboration, in which a multinational company and a well-respected environmental conservation group commit to collaboration that affect both company internal processes and community, aiming for a higher goal of global resource management. By the partnership agreement, the company becomes accountable to the NGO in meeting the goals. Because the actors are strange bedfellows and the depth of relationship between them is extraordinary, there is sizeable global media coverage and external skepticism involved. Both actors thus take substantial risks in order to gain high strategic rewards the cooperation provides. Hence, in pioneering partnerships actors improve company processes as in the case of instrumental partnership, but they also work together to achieve broader societal benefits they publicly commit to.

The chapter explores the events that led Coca-Cola to close cooperation with WWF as a result of severe external pressure that affected the company’s brand and business. Similar to Chiquita’s partnership with the Rainforest Alliance, Coca-Cola’s cooperation with WWF is driven by hard-core materialistic factors. However, as the theory developed in this study predicts, the two companies' engagements with NGOs differ from each other in important respects. Due to its dependency on water, the common of the communities where the company operates, the pressure Coca-Cola faces from external groups is systemic in nature, hence not fixable as processes are. According to the theory, Coca-Cola operates under systemic vulnerability, and its normative legitimacy is therefore ultimately depending on the communities. This requires close cooperation with the communities; otherwise there is a possibility of a conflict between the company and the communities, which can become extremely costly to the company and threaten the continuity of its business. Water has thus become a critical business issue for the company and it therefore unites the company and WWF.

Due to this dependency on the scarce common, regaining the normative legitimacy is not a one-time-fix as it was in the case of Chiquita, which regained back its normative legitimacy by cleaning its processes through instrumental partnership. Instead, as the theory predicts, the chapter concludes that Coca-Cola will continue to be challenged by external groups that will claim the communities' right to water over commercial use of it.

Because the two companies' vulnerabilities to external normative expectations and NGO pressure differ from each other in important respects, there are significant differences between pioneering and instrumental partnerships. In addition to mutual understanding, commitment, compromises and trust that are critical to the success of an instrumental partnership, pioneering partnership require long-term commitment to achieve the goals, as reflected by the collaboration between WWF and Coca-Cola. The level of commitment needed is thus beyond engagement, and can be described as a marriage - when using the terminology of the relationship. This long-term commitment emphasizes the high strategic relevance of the cooperation to the performances of the actors involved. Actors view partnership work necessary in advancing their own organizational goals.

The chapter explores how Coca-Cola and WWF have developed their relationship in three years to the level that Coca-Cola director Greg Koch described in an interview in January 2010 as "old couple with kids"[367], that is the actors have achieved the level of mutual trust to think of each other like partners and learned to work as a team. The chapter thus illuminates how a widely-trusted international NGO and a multinational corporation work together in concrete terms in various field teams in different parts of the world to conserve the fresh water resources in ways that are pioneering in society-business relationship.

The chapter begins with discussing how the beverage sector has been highly influenced by the declining of the world water resources, and how in 2003 Coca-Cola arrived into a severe conflict with the local communities in India, a conflict that grew into an international public protest against the company. The chapter discusses how Coca-Cola has since struggled with a strong anti-Coke movement across the world. It explores the developments in the mid-2000 that led Coca-Cola leaders eventually to realize that instead of fighting against the growing discontent, the only way to protect the business was to build a dialogue with a recognized NGO and work closely with it on internal process improvements and on global fresh water conservation to ease the pressure.

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[367] Koch, interview in January 2010.

Part One: Vulnerability to the Growing Water Scarcity and Pressure to Conserve Water

The developments that led Coca-Cola to discover how painful it can be when the terms of the social license for business operations are called into question are directly linked to the worldwide concern of commercial use of water and the criticism against large beverage companies whose number one ingredient fresh water is. Companies using heavy amounts of water are often seen to contribute to the tragedy of the commons.

The soft drink industry is one of the water intensive businesses and it uses other raw materials such as sugar, wheat, hops, corn, grapes, and various other fruits that require water-intensive production processes. Because their close ties to agricultural productivity and changing customer preferences, beverage companies are especially vulnerable to water-related physical, reputational, and regulatory risks. According to the recent review of Pacific Institute and UNGC, physical water resource constraints that have become increasingly common across the world are likely to make beverage companies susceptible to NGO pressure as tensions are likely to intensify between businesses and local communities over commercial water use. There is a heightened risk of water-related conflicts between communities and the companies depending on heavy water use.[368] In the light of the theory presented in this study, beverage companies are operating under high vulnerability.

According to the report, the industry requires high quality source water, which can put the industry's water use in direct competition with local populations' water needs for drinking, food production, and other vital uses. Community awareness of the economic, ecological, and cultural value of regional water sources prompts opposition to the introduction or expansion of beverage

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[368] Pacific Institute & United Nations Global Compact 2009.

or bottling plants. As it is expected that these controversies will arise in the future in regions where water is scarce and where local populations lack access to affordable drinking water, heavy water-use companies acknowledge that water is a serious issue that is likely to impact the business. Declining freshwater resources and the depletion of aquifers, risks of costs rising, constant activist pressure and the increasing competition for water are now serious risks that need careful attention. For instance, after years of organized opposition by local residents and environmental NGOs, Nestle Waters decided in September 2009 to scrap plans entirely to bottle spring water in McCloud, California[369].

The soft drink industry has already been under considerable NGO pressure, the earliest campaigns date back to 1971 when the newly found Friends of the Earth campaigned in the UK under a mass "Bottle-drop" outside the office of Schweppes against the plans to start selling drinks in the non-renewable plastic bottles[370]. Environmental NGOs have accused beverage makers for the environmental impacts of their products and organized large-scale consumer boycotts. Campaigners are working to raise awareness of the negative impacts of bottled drinks and they seek to influence people to drink tab water instead of bottled water[371]. One successful campaigning against bottled water has been the Polaris Institute and its "Inside the Bottle" campaign. As a result, twenty-one universities and colleges have established "bottled water free zones" and city governments of Seattle, New York and San Francisco have ended contracts with bottled water companies.[372] *The Wall Street Journal* reported in August 2009 that as a result of both recession and activist campaigns, US sales of bottled water has dropped six percent, from

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[369] Polaris Institute 2009.
[370] Friends of the Earth 2005.
[371] According to UN, in 2008 altogether 2, 480 000 tons of plastic bottles and jars were thrown away. Much of the plastic end up in the Ocean. It has been estimated that every square mile of the Ocean has 46,000 pieces of floating plastic in it.
[372] Polaris Institute 2009.

July 2008 to July 2009, amounting to losses of 7.6 billion. Also Nestle Waters reported in February 2009 that the activists have affected its sales of bottled water in Canada.[373]

Under the threat caused by water crisis and other pressure by external groups, international business-led bodies, such as WBCSD and the UNGC, have formulated the private sector's respond.[374] In particular, the industries that are highly dependent on water have been actively involved, as they are increasingly concerned about the link between the declining availability of water and the continuity of their business. For instance, CEO Water Mandate encourages business leaders to recognize the role of the private sector in addressing water challenges faced by the world and enlists companies to make water-resource management a strategic priority.[375]

Coca-Cola and the Growing Water Scarcity

A long time before water scarcity became an international concern, the Coca-Cola Company started selling Coca-Cola, for a nickel at Jacob's Pharmacy, near the intersection of Marietta and Peachtree Streets in Atlanta, Georgia in 1886. The following year Coca-Cola was registered as a trademark. In less than ten years, by 1895 the company had reached every state in the US. In 1899 it franchised its bottling operations in the US and in next ten years the number of franchisees reached 370. The growth of the business has been enormous and the company is the largest consumer goods company in the world, which markets more than 450 brands and 2 800 beverage products, amounting to 1.5 billion servings a day, with operations in two hundred

[373] Evans 2009.
[374] WBCSD 2006.
[375] www.unglobalcompact.org/issues/Environment/CEO_Water_Mandate/

countries. The company produces its beverages locally with around 7000 employees at twenty-seven wholly owned bottling operations and seventeen franchisee-owned bottling operations. Through its procurement, supply and distribution network, the company indirectly employs another 125 000 people.[376]

Because the Coca-Cola System comprises the company and its over three hundred bottling partners worldwide and it is operating through multiple local channels, the company is exposed to wide variety of social and environmental risks. In past, Coca-Cola's operations have come under the public eye after claims for discrimination, contaminated beverages and involvement in the murder of a union organizer in Columbia and in other anti-union violence[377].

However, the fact that Coca-Cola is highly dependent on a systemic common, fresh water of the local communities brings along a new layer of social risks associated with its business[378]. Dependency on community fresh water – hence the system - links the company directly to growing global concern for fresh water availability, and thus makes the company systematically vulnerable to NGO pressure. This vulnerability is widely predicted to grow along the imperative to sustainable development grows and gains momentum.

According to WWF, the company uses approximately seventy-six billion gallons or three hundred billion liters of water annually[379]. The amount of used water is expected to grow with millions of potential new customers entering the middle class in the developing countries. These emerging markets present large markets as in Africa, Asia, and Latin America the middle class grows every year by fifty million people who are expected to consume as the middle class in

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[376] Hills & Welford 2005.
[377] Wilbert 2006.
[378] Bowen, interview in August 2008.
[379] Apple, interview in August 2008.

Western societies[380]. The future market for Coca-Cola thus lies in the emerging markets such as China and India, where water supplies are often polluted or increasingly stressed and where communities, agriculture and industry compete for water. So how to secure water resources, how to use water more efficiently, and how to waste less water have become highly important questions that the company seeks solutions to[381].

Coca-Cola in Water War Against People of India

One example of how Coca-Cola's dependence on a shared natural resource has made it vulnerable in systemic ways that differ from other cases discussed in this study can be seen clearly through the case of India. This case shows how resource dependency and successful mobilization of external pressure follow when a company fails to reflect the growing interests of external groups and how it can escalate into a worldwide movement that ultimately puts the company, its reputation, and its brand at risk.

In August 2003, Coca-Cola became to face the growing normative pressure over its water-intensive operations in India, where it has fifty-seven bottling plants. Behind the pressure was the Center for Science and Environment (CSE), an Indian NGO that a group of engineers, scientists, journalists and environmentalists founded in 1980 to "catalyze the growth of public awareness on vital issues in science, technology, environment, and development." The Pollution Monitoring Laboratory (PML) of the CSE had conducted a study from April to August in 2003 that revealed

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[380] Siems Report 2010.
[381] Koch, interview in July 2008.

that twelve major cold drink brands sold in Delhi contained a “deadly cocktail” of pesticide residues. CSE claimed that the chemicals cause cancer, damage to the nervous and reproductive systems, severe disruption of the immune system and birth defects. CSE tests on three samples of twelve Coca-Cola and Pepsico brands in Delhi found that they contained residues of pesticides surpassing global standards by 30-36 fold. The NGO contacted the Indian government to implement legally enforceable water standards to stop Coca-Cola and Pepsico to ban their beverages.[382]

This led to a series of events that built pressure on Coca-Cola to review its relation to society. At first, the government took action and banned Coca-Cola and Pepsico in parliament, and ordered independent investigations of Coca-Cola and Pepsico products. The results of the investigations showed that nine out of twelve samples produced by Coca-Cola and Pepsico failed to meet EU safety standards for pesticide residues. Indian Minister of Health Sushma Swaraj countered the CSE’s claims and told the parliament that residue levels fell within the Indian safety limits for bottled water. The government insisted though that the companies would apply EU standards in the future and a parliamentary committee would inspect the matter.[383]

People were also asked about how they viewed the results of the CSE study. A survey conducted showed that a majority of consumers believed that the results of the CSE study were correct and they viewed that parliament should ban the sale of soft drinks[384]. One medical student in Delhi commented:

> “For a person drinking at least one bottle a day, the report came as a rude shock. I haven’t picked up a bottle today and most definitely will not consume soft drinks in the future. The reports of pesticides and other pollutants have made soft drinks a strict no-no and we will now stick to juices and plain drinking water.”[385]

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[382] Hills & Welford 2005; Kaye 2006; Yaziji & Doh 2009.
[383] Hills & Welford 2005.
[384] Hills & Welford 2005.
[385] Kaye 2006.

According to Hills and Welford, it was soon clear that the US $1 billion that the company had invested in Indian soft drink market was at risk, and it took only two weeks that the sales of Coca-Cola dropped notably, by thirty to forty percent on the heels of a seventy-five percent five-year growth trajectory and twenty-five to thirty percent year-to-date growth. Stock in the Coca-Cola Bottling Company and Coca-Cola Enterprises dropped by also US $ 5 on the New York Stock exchange from US $ 55 to US $ 50 in the six trading sessions following the release of the CSE report. Also many clubs, retailers, restaurants, and college campuses across the country stopped selling Coca-Cola.[386]

However, the unacceptable levels of pesticides found in Coca-Cola beverages were not the only problem at the time. A growing local discontent towards commercial use of water in many Indian villages was also becoming louder. In regions where water had become scarce, local people were furious of Coca-Cola's water use and campaigned to stop its operations. Public authorities had told them that the water in wells and hand pumps was unfit for human consumption and people associated Coca-Cola to the water crisis.[387]

Hence, activists had raised the link between soft drink companies and the water scarcity. IRC and its campaign leader Amit Srivastava in particular began their enduring and noisy protest against Coca-Cola, claiming that communities across India were "under assault" from Coca-Cola's practices in the country. Srivastava claimed that Coca-Cola ".. is destroying lives, it is destroying livelihoods and it is destroying communities all across India"[388].

Another persistent activist group against the company has been an international human rights and environmental justice campaign group Hold Coca-Cola Accountable. Its main message has been that communities have the right over natural resources. It demanded that

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[386] Hills &Welford 2005.
[387] Hills & Welford 2005.
[388] Stecklow 2005.

corporate and private interests must be secondary to the rights of communities. According to the group, the access to water is a fundamental human right. The campaign has been highly visible and engaged thousands of people who have regularly marched and rallied against Coca-Cola.[389] According to an activist Vandana Shiva[390]:

> "The processes used in manufacturing these soft drinks are inherently damaging. The extraction of groundwater deprives poor people of their fundamental right of access to clean water. The factories spew out toxic waste that threatens health and the environment. And the products themselves are harmful — the Indian parliament has set up a joint committee to inquire into the presence of pesticide residues."

Moreover, in July 2005 *Wall Street Journal* reported about the improper waste handling in the company's largest bottling plant in Dasna, near New Delhi. The article described how the company was not handling its hazardous waste right and the sludge was stored in large holding tank at the plant. It was produced and stored per day and disposed on a small empty tract owned by a local landowner. When investigated, the Central Pollution Control Board had found excessive levels of lead and cadmium in the waste.[391]

All these events fuelled distrust on the company and the accusations against the company became many and heated. Anti-Coke activism spread across Indian villages where Coca-Cola bottling plants were operating. In August 2003, wide demonstrations against Coca-Cola were organized and they lasted for the next five months. The demonstrations took place in the local Coca-Cola plant in Mehdiganj, which is located twenty kilometers from the holy city of Varanasi, Uttar Pradesh State. In September, five hundred people marched to the factory gates and were attacked and beaten by police and security guards.[392] As an outcome, enormous

[389] Srivastava 2008.
[390] Shiva 2005.
[391] Burnett & Welford 2007.
[392] Hills & Welford 2005.

pressure against the company practices grew both in local communities and internationally. Hills and Welford have categorized the allegations against the company into four categories[393]:

1) Water shortages caused by the company's bottling plants across India as a direct result of Coca-Cola's water use from the common groundwater resources.

2) Pollution due to the company's discharge of wastewater into the fields around its plants and rivers, including the Ganges. This has polluted groundwater and soil.

3) Distribution of toxic waste to farmers in two communities, Plachimada and Mehdiganj, as 'fertilizer'. [394]

4) Products containing pesticides confirmed by various agencies, including the government of India.

The water-use in Plachimada, Kerala, plant in particular became heated by the end of the year. In December 2003, Justice K Balakrishnan Nair commented the company's use of water in the following way:

> "Groundwater under the land of the company does not belong to it. Every landowner can draw a 'reasonable' amount of groundwater, which is necessary for its domestic and agricultural requirements. But here, 510 000 liters (110 000 gallons) of water is extracted per day, converted to products and transported, thus braking the natural water cycle".[395]

However, the Judge Nair ordered the village council to renew the plant's license so the council would not interfere with the functioning of the factory. This evoked a protest against the company, yielding to a nationwide campaign against Coca-Cola in India in September 2004.

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[393] Hills & Welford 2005.
[394] This was confirmed by the BBC test found cadmium and lead in the waste. The company stopped the practice of distributing its toxic waste only when ordered to do so by the state government.
[395] Hills & Welford 2005, 171.

Vandana Shiva of the Research Foundation for Science Technology and Ecology (RFSTE) was using strong rhetoric:

> "Coca-Cola and Pepsi are engaged in a water war against the people of India. Their bottling plants are daily stealing millions of liters of water, thereby denying local communities their fundamental right to water."[396]

Later campaigning expanded to bottling plant in Kaladera and villages near Jaipur, Rajasthan. The mobilization involved altogether thirty villages. A number of organizations joined under the banner of Jan Sangharsh Samiti, the People's Committee for Struggle.

Coca-Cola Refuses the Criticism

However, Coca-Cola was not yet ready to admit that it had neglected the social aspects of its business and the embedded negative externalities. Instead, both Coca-Cola and Pepsico publicly questioned the method of testing the CSE had used. Coca-Cola also questioned the standards used for the tests. Furthermore, the company claimed that the CSE was not an accredited laboratory and did not qualify to fixed standards. Coca-Cola made clear that its products had been tested using EU standards and they did not break any laws in India.[397]

Both companies used the tactics they know best, efficient PR. They launched campaigns to tell the public that the accusations were wrong. They published full-page newspaper advertisements directing consumers to their corporate web sites to review their own tests results

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[396] Hills & Welford 2005.
[397] Kaye 2006; Hills & Welford 2005.

and safety protocols.[398] Coca-Cola India's CEO Sanjiv Gupta published the following statement for the Indian public to advertize the site:

> "I want to reassure you that our products in India are safe and are tested regularly to ensure that they meet the same rigorous standards we maintain across the world. Maintaining quality standards is the most important element of our business and we cannot stand by while misleading and unaccredited data is used to discredit trusted and world-class brands. Recent allegations have caused unnecessary panic among consumers in India and, if unchecked, would impair our business in India and impact the livelihoods of our thousands of employees across the country. This site is about the truth behind the headlines. It provides some context and facts on these issues and we hope it helps you understand exactly why you can trust our beverage brands and continue to enjoy them as millions of Indians do each day."[399]

Coca-Cola also responded to the pressure by claiming that the company had been demonized by anti-globalization activists. Coca-Cola Asian director of communications David Fox told *Wall Street Journal* in 2006 that activists such as the IRC "are making false environmental allegations against us to further an anti-globalization agenda". Cox accused CSE leader Sunita Narain of brand jacking. Cox said that they use Coca-Cola's brand name to draw attention to her campaigning against pesticides.[400]

More Fuel to Harmful Activism and Bad Press

Two years after the intensified anti-Coke activism, it was fuelled more in August 2006 when a new study of CSE was released. The new study documented high and dangerous levels of pesticides, including banned carcinogens such as Heptachlor and Malathion in all fifty-seven

[398] Hills & Welford 2005.
[399] Quoted in Kaye 2006.
[400] Srivastava 2008.

tested samples from twenty-five different Coca-Cola bottling plants across India. Some of the samples showed pesticide residues twenty-four times higher than EU standards.[401]

Five years later, in March 2011, the anti-Coca-Cola campaigning has spread around the world. The activists have attended and spoken out at Coca-Cola shareholders meeting since 2003 calling the company to “stop stealing water” and informed the socially responsible investment communities that Coca-Cola engages in unethical practices in India. Activists have also worked closely with faith-based communities across the world, which also emphasize water as a fundamental human right. The campaigning has mobilized students to protest Coca-Cola to suspend the sales of the company products. Some twenty universities have been involved, including the University of Michigan and New York University. The campaign has also engaged campuses in the UK, Canada and Norway.[402] In July 2006 it was reported that the largest US retirement fund, TIAA-CREF, sold US $ 52.4 million worth of Coca-Cola’s stock because of the concerns about the company’s responsibility[403].

Not surprisingly, international media has been following the campaigning against Coca-Cola carefully. There have been articles of the company’s unethical practices in *New York Times, Wall Street Journal*, BBC and *Al Jazeera*. In June 2005, *Wall Street Journal* ran a front-page article on Coca-Cola in India, revealing that water allegations remained unproven. The article raised the concerns that Coca-Cola had given toxic waste to local farmers. The article also discussed that Amit Srivastava had compared Coca-Cola’s environmental practices to the industrial accident at Bhopal, which killed thousands.[404]

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[401] Hills & Welford 2005.
[402] Burnett & Welford 2007.
[403] Wilbert 2006.
[404] Hills & Welford 2005.

In March 2010 after a long-term pressure put on Coca-Cola as well as the Indian government, a High Power Committee established by the state government of Kerala recommended that Coca-Cola be held liable for Indian Rupees 216 crore (US $ 48 million) for damages caused as a result of the company's bottling operations in Plachimada.[405] The Coca-Cola bottling plant in Plachimada has remained shut down since March 2004 as a result of the anti-Coke activism and the court rule that it was ruining the environment. [406]

Summing up, the outrage against Coca-Cola broke in India and spread around the world although the company was in compliance with the local Indian standards of pesticide residues. This campaigning hurt the company both financially and socially. The financial consequences have been estimated to amount to millions of dollars in lost sales and legal fees in India and the growing damage to the Coca-Cola's reputation[407].

Damage to the normative legitimacy is much harder to estimate. Distrust of local people against the company, a series of messages of misbehavior to shareholders annual meetings and a worldwide protest against the company since 2003, are the ingredients of a widely told unethical story. It is a story about a corporation that sites its bottling plants in strictly business point of view and ignores the public concerns of its operations, and takes the advantage of the emerging middle-class consumers in India for bigger profits. This story appeals to people who put weight on the right of the local people to access to water instead of commercial use of water. For these people, such a corporation has seriously underestimated or wholly ignored the societal impacts of its business. Because they do not accept it, they have boycotted buying Coca-Cola to display their commitment to these values.

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[405] Reuters, March 22, 2010.
[406] Epstein 2008, 121.
[407] Brugmann & Prahalad 2007.

Due to these substantial materialistic reasons, Coca-Cola eventually decided that it is time to change the story. It decided it had to take the company water use more into account and to build a new relationship with society if it was to continue its business in water scarce areas and regain its lost normative legitimacy in the eyes of the wider public. This represented a new page in its history as it realized that societal and environmental consequences of its activities are an important business matter.

Next this decision is discussed in more detail and the NGO-engagements that followed, especially the pioneering engagement with WWF to create larger scale social benefits that go beyond the company's internal processes and conserve the world's most important fresh water resources. Although there is a patchwork of different initiatives, programs and projects that Coca-Cola is involved in and strives to make social impact at local levels, the partnership with WWF - one of the largest environmental organizations to save endangered spices - has been critical to Coca-Cola in implementing the needed improvements to achieve results of the consistent water neutrality program. In comparison to other programs the company has launched with NGOs, this partnership is a joint public commitment to carry out a thorough program to make Coca-Cola improve the company processes and become more trusted partner within the local communities.

Similar to instrumental partnerships, in pioneering partnerships an NGO and a company agree to build common programs that help the company to cause less harm to local communities and the nature. WWF agreed to help Coca-Cola to improve the internal processes, most notably its water efficiency and wastewater treatment. According to the agreement, WWF applies its scientific knowledge to examine how the company operations rely and affect nature, and thereby help Coca-Cola find out new approaches to the company water usage and water conservation goals. The ultimate goal of such collaboration for both parties is to achieve wider societal benefits through collaboration that maximizes WWF's conservation work and better shields Coca-Cola from external criticism and thus better protects the company from harmful normative pressure.

Part Two: New Corporate Water Agenda

An NGO-business partnership is pioneering, when it represents more advanced level of relationship between an NGO than the two other types of partnerships discussed in the previous chapters. A symbolic partnership is a socially conscious program run by an NGO and financed by a company. An instrumental partnership is a pragmatic approach that a company sets up with the help of NGO to improve corporate internal processes. A pioneering partnership is chosen when larger societal benefits are needed than can be achieved by symbolic and instrumental partnerships.

After being accused of having turned a blind eye to the need of the local people, Coca-Cola was forced to reconsider its relation to society. The reality was that the company was facing a severe conflict against people in India and the accusations that it was exploiting water were becoming louder and spreading widely. The company was operating under high vulnerability and needed to ease the pressure.

What the activists campaigning had powerfully showed was that water has also an "emotional" side.[408] This was new to Coca-Cola executives and they didn't know that they would need to take it into account in their business plans until the activists raised their voice about it and used their power to make change happen. This made the management to realize that the company was ultimately dependent on the availability of fresh water, a scarce systemic resource upon which the communities and their wellbeing is directly depending on. After realizing that it was confronted with a powerful force of global activism, Coca-Cola decided that it would be critical for its business to rethink its relation to society and take corrective steps.

However, it was not that the company had not focused on water earlier. But the earlier focus on water had been placed solely on the internal water management, and the water was not considered to be a social or emotional issue. Water had been purely a cost issue and water use was calculated to reduce costs associated with its inefficiency in wastewater treatment and managing water within the plants.[409] According to Daniel Vermeer, director at Coca-Cola, "Coca-Cola has been focused on water management for about 120 years, really since the origin of the business, but in the past, the emphasis has been on operations performance: efficiency, waste water treatment, managing water within the plant."[410]

After the NGO pressure, the situation changed dramatically in 2004. Jeff Seabright, vice president for environment and water resources within the company, admitted that the company had "missed the point". In regard to Kerala case, Seabright admitted that the company didn't help the community to solve its problem:

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[408] Koch, interview in January 2010.
[409] Koch, interview in July 2008.
[410] Vermeer, interview in July 2008.

> "Regardless of whether we were technically right, we should have been more involved in helping the community solve its problems. The fallout from the incident was significant reputationally in that Coke became linked in many people's eyes with water scarcity."[411]

The company managers recognized that in order to ensure the availability of fresh water for its business to be less normatively questioned it needed to improve its water use and support the communities where its bottling operations are located in. The company needed to respond to the growing public demand on more sustainable and responsible production processes, and more attention was needed to put to where or how plants got water for their bottling operations, and the overall conditions of water availability for the larger community[412]. Vermeer told in the interview in 2008,

> "…we did a project of the future of freshwater in 2002… Soon, we and others in the company came to understand the state of freshwater resources and the depletion of aquifers, risks of costs rising, and the increasing competition for water. It was clear that this was one of the great sustainability issues."

Coca-Cola had already in 2002 worked with its largest bottling partners on a joint program called Citizenship@Coca-Cola. The program provided a general framework for conducting business responsibility throughout the Coca-Cola system by establishing shared commitments and practices. The program had issued the Workplace Rights Policy, Human Rights Statement and Supplier Guiding Guidelines, thus reflecting the values and commitment to international human and labor rights principles and the efforts to put them in place within the company operations. However, it was really after the company had realized that it had a direct link to wellbeing of the communities where it operates and that water is that critical link that can affect

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[411] Quoted in Senge et al. 2008, 80.
[412] Vermeer, interview in July 2008.

the company's business that Coca-Cola started to rethink its relation to society, and particularly to water.

In August 2004, the senior management determined that the commitment to the development of the communities and the conservation of the natural resources around the world is an essential part of the company strategy. The strategy stated that the success of the business is depending on the sustainability of communities in which the company operates. The CEO Isdell stated: "We're focusing on water because it's the main ingredient in nearly every product we make… because all of our products are made by local people in local communities, which means the success of our business depends on the availability of local water resources".

The first non-financial report on corporate social responsibility was also published, and it introduced the company's social and environmental impacts according to the international GRI guidelines. In the report Isdell stated the new policy:

> "The Company is launching a new framework for long-term sustainable business success. Our Manifesto for Growth, commitment to the sustainable development of the communities we serve is an integral part of Our Manifesto… This is a business imperative. We depend on – and must contribute to – socioeconomic development and the conservation of natural resources around the world... The issues facing the world are more urgent than ever and they affect us all. If local communities suffer from water scarcity, so do we. If HIV/AIDS ravages the communities in which we operate, the people impacted are our employees, our customers and our consumers."

The company had hired Jeff Seabright from USAID into a new position as vice president for environment and water to lead a team pointed to advocate water issue across the worldwide operations. In 2008, Fortune Magazine described in its article that the team is operating almost as an "in-house NGO". The same article referred to Kert Davies, research director at Greenpeace

USA, who had commented the work of the environmental team by saying that "the inspiration and the perspiration are real".[413]

The 2006 Corporate Responsibility Review documented the work on sustainable business and sustainable communities, and contained detailed information on the company impact in the areas of workplace and human rights, product quality, wellbeing, water stewardship, energy and climate protection and sustainable packaging. The report was the company's first report that followed GRI, which cross-referenced with UNGC principles. The report stressed that the company continues to work toward mapping and prioritizing material issues and implementing the necessary systems and targets to gauge performance and gather data globally.

Water Neutrality

The pioneering partnership between WWF and Coca-Cola had several components that developed aspects that affected both process and community, aiming for the higher goal of global water management, hence a new role of business within society. This can be seen in its "water neutrality" pledge and programs that the company designed together with various NGOs to enable diverse communities access to water and conserve the world fresh water resources. As a reflection of this commitment the company decided to take a strong public role on the conserving the world water.[414]

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[413] Senge et al 2008.
[414] Isdell 2009.

In the early July 2007 CEO Isdell came public with the new strategy when he spoke to the attendees of the Triennial Summit of the UNGC. He said that Coca-Cola's guiding principle in growing its business in the future must be that "we should not cause more water to be removed from a watershed than we replenish".[415] The core of this new water agenda was the public pledge Coca-Cola made "to return to communities and nature an amount of water equivalent to what we use in all of our beverages and their production." The idea of the pledge was to make the company "water neutral".

The goal has several elements. First, to use water more efficiently. Secondly, to pledge that by 2010 all of the water discharged from its bottling plants would be clean enough to support agriculture or aquatic life[416]. The company announced that it will align the entire global system with stringent wastewater treatment standards which require "returning all water that is used in its manufacturing processes to the environment at levels that supports aquatic life". Finally, the company will replenish the world's supply of fresh water by an amount equal to all the water included in its drinks; it will do so by supporting healthy watersheds, such as the catchment areas that feed streams and rivers and underwriting clean-water projects around the world. "On a global basis we will expand support of healthy watersheds and sustainable community water programs to balance the water used in our finished beverages."[417]

By making this commitment, Coca-Cola revised its relation to society and showed that by working towards these goals it cares for the local communities and wants to resolve issues of resource conflict with them. It had realized that the only way out of the distrust was to build strong relationship with the local communities. A strong societal dimension in its corporate policies is expressed in the 2008 Sustainability Report:

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[415] Isdell 2007.
[416] As of January 2011, about 85 percent meet the standard.
[417] The Coca-Cola Company, Replenish Report 2008.

> “To us, sustainability means evolving our business for continued success, recognizing that the health of our business is directly linked to the health of the communities we serve. Sustainability is a significant driver of value that offers meaningful long-term benefits for our business and society. In 2008, we elevated sustainability into our business growth agenda…. We are assessing everything - from our operations and our processes to how we work with partners and market our products - to see where we can build better, more effective systems and improve our overall productivity, so our business can continue to grow.“

To achieve this goal required an intensified cooperation also with external groups both for the needed technical expertise and to simply gain credibility. Because water is a difficult and multi-dimensional societal issue, Coca-Cola turned to various NGOs and intensified collaboration with the ones it had already engaged with. NGOs became a critical element in building the needed credibility to ensure that the company operations will be normatively legitimized. Isdell stressed that “….successful collaboration is built on finding the common ground where a company’s self-interest and the need of communities converge”.

What followed was an intense collaboration with many NGOs to build results-oriented community support programs to form a key part of Coca-Cola’s corporate social responsibility policy. For Isdell[418] this was critical, because “the social license to operate in a global economy, and to form a foundation for long-term success, as discerning consumers choose businesses that are aligned with their larger social interests and values requires public private partnerships”. Together with NGOs, including WWF, USAID, CARE, and UNDP, Coca-Cola has built numerous community programs, out of which 120 are community water projects, aimed to protect and preserve water and sanitation.[419] In 2005 Coca-Cola created a program called a Global Water Challenge. It helps bringing safe water and sanitation by replicating programs that work, such as “Water for Schools” in Kenya. The program has provided safe drinking water,

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[418] Isdell 2007.
[419] The Coca-Cola Company “Replenish” Report 2008.

sanitation and hygiene education to thousands of students. In 2009, the company launched the "Replenish Africa Initiative". It is a US $ 30 million effort to create safe clean water for two million people in Africa. In India, the company partners with BAIF in raising awareness among school pupils across India. They use an animation film, "Our Environment - Let Us Protect It", translated to regional languages such as Marathi and Hindi, and it is expected to reach to 20 000 schools. In partnership with Rotary International, Coca-Cola launched the "Elixir of Life" project to provide potable water to 30 000 underprivileged children in and around Chennai, India. Coca-Cola has also signed an agreement with UN Habitat that includes the provision of clean drinking water to hundred schools in West Bengal.[420]

A project with USAID on community water initiatives has helped 250 000 people in twenty countries gain access to safe drinking water. These projects include joining the USAID in Mali to install hand- and pedal pumps for wells throughout the country. In Mali's capital city Bamako, Coca-Cola has partnered with women groups to set up a water-free program to expand and maintain the system and fund microenterprise to create jobs, and helped reduce waterborne illnesses, increase crop yields, provide new sources of income and improve local living standards.[421] According to Ingrid Saunders, head of the global community connections and chair of The Coca-Cola Foundation,

> "Sustainability and social responsibility are the fundamental building blocks to the success and longevity of any business in today's 21st century competitive global market… Given Coca-Cola's strong international presence, we strive to create an environment in which our employees are engaged with the communities in which we operate and maintain a strong understanding of global diversity."

[420] Isdell 2007.
[421] Isdell 2007.

Pioneering Partnership with WWF

In 2007, Coca-Cola and WWF intensified their collaboration, which until then had been philanthropic in nature. WWF is known widely as a scientifically oriented conservation organization. According to Seabright, “it became clear now that we needed expertise in understanding the broader systemic issues and watersheds”[422]. In July 2007, Coca-Cola and WWF jointly announced a multi-year partnership to combine both organization’s strengths and resources to make Coca-Cola more sustainable and help conserve freshwater resources. With the commitment, Coca-Cola pledged $ 20 million, which was raised in 2009 with an additional $ 4 million. The goal of the collaboration was to initiate large community programs to improve the company’s water efficiency, reduce carbon emissions, enhance biodiversity, and build up community water conservation and sustainable agriculture programs. The partners committed to make Coca-Cola an industry leader in water efficiency and stewardship, and inspire a global movement to support conservation of freshwater ecosystems, species, and resources[423].

For these purposes, engagement with WWF was viewed fitting. Since its inception in 1961, WWF has grown from a small conservation organization into a trusted international institution that has been ranked as the eight most trusted brand in the world and the second most trusted brand in Europe. WWF is also trusted partner for governments. This role has developed gradually after successful negotiations on important international environmental issues. One of them has been the involvement in bringing about an international moratorium on whaling in 1985. Since then, a whale sanctuary has been established in the Antarctic feeding grounds. WWF has also successfully negotiated “debt-for-nature swaps”. They enable a system under which a

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[422] Quoted in Senge et al 2008, 84.
[423] WWF-TCCC Global Freshwater Conservation Partnership Process Report 2007.

portion of a nation's debt is converted into funds for conservation, including Ecuador, Madagascar, the Philippines, and Zambia. WWF has also played a notable part in integrating development with conservation. Since the 1980s, it has collaborated with IUCN and UNEP on the publication of a joint World Conservation Strategy, which was endorsed by the UN Secretary General and launched in thirty-four world capitals. The publication recommended a holistic approach to conservation and highlighted the importance of using natural resources sustainably. Since the launch, fifty countries have formulated and initiated their own national conservation strategies, based on the recommendations.[424]

Partnership Goals

In pioneering partnership actors share specific goals that improve both company processes and communities. Hence, it is not just that the NGO provides a reliable and recognized platform for a company to make a pledge to a social or environmental cause as in the case of symbolic partnership, or that the NGO helps the company to improve its poor practices as in the case of instrumental partnership. In pioneering partnerships actors commit to a comprehensive common goals and action points to bring about improvements inside the company and to the broader public. In order to do so, both actors need to view the benefits of collaboration far bigger than the potential risks. Only through this understanding they are able to gain the needed trust to work like partners in change.

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[424] Soutter, Ullstein, Jeffries, Duncan & de Mattos 2011.

In 2007, the WWF - Coca-Cola partnership started with identifying shared goals. The main ones were to conserve the world's declining fresh water resources, improve Coca-Cola's water efficiency by twenty percent by 2012 compared to 2004, and to achieve business growth without carbon growth from 2004 to 2015, while cutting carbon output in developing countries. The goal was also to have 100 percent of the local facilities aligned with internal wastewater standards by the end of 2010. The partnership also aims to promote water and energy efficiency among the agricultural suppliers of sugar, citrus and other ingredients. To achieve these goals of the partnership, the following project architecture was designed to comprise five work streams:

- River Basin Conservation: freshwater conservation initiatives in seven river basins.
- Plant Performance and Water Stewardship: a water-efficiency and stewardship initiative targeting Coca-Cola bottling plants and other production facilities across the world.
- Supply Chain: technical assistance and engagement with Coca-Cola on better practices in its agricultural supply chain, beginning with a key commodity, sugar.
- Climate: a joint plan for setting emissions targets including a third-party data review.
- Communications: a stepwise communications framework, which supports the tangible goals and outcomes of the partnership.

Strong Commitment to Partner

Characteristic to a pioneering partnership is that actors are highly committed to it and actively involved in pursuing the goals. Because they enter into a pioneering partnership to improve their own performances through collaboration they are highly motivated to work within the partnership context. This has been the case with WWF- Coca-Cola case as well. Right from the beginning, the partnership was highly prioritized by both organizations and viewed strategically important to both organizations' future. When Coca-Cola and WWF signed the partnership agreement in July 2007 at the WWF Annual Conference in the Great Hall of the People in Beijing, China, the press release reflected the both sides' content on the deal:

> "Water is critical to sustaining nature, communities, and businesses. Our organizations, TCCC (The Coca-Cola Company) and WWF, have come together to conserve and protect freshwater resources in key ecoregions around the world. By bringing our networks, people, and brands together, we can achieve meaningful and large-scale results. Furthermore, we believe in the power of partnerships – we can accomplish far more jointly than we can on our own."

Massive media coverage followed the ceremony, with 2.4 billion impressions in the US alone, including coverage in *Bloomberg, Reuters, The Associated Press, The Wall Street Journal, The Washington Post, The Los Angeles Times, Marketplace, NPR, CNN Headlines,* and *BBC World News*.[425] The Financial Times reporter Ross Tieman described why the partnership was interesting press:

> "To a cynic, few partnerships might seem more unlikely than that between Coca-Cola, the world's largest soft-drink maker, and WWF, the not-for-profit conservation organization. Coke is capitalism at its most global, selling sugary drinks often in place of water, to the masses. WWF aims to protect the river basins from which the water for those drinks is drawn".[426]

According to Isdell, the business advantage that comes from such engagement is not merely to reduce criticism. The partnership enables effective engagement that can be a catalyst for programs that improve local living standards. This, in turn, "will lead to new or more

[425] Koch, interview July 2008.
[426] Tieman 2010.

satisfied consumers, who prefer companies not only on the basis of brands and products, but because of the values they hold and how they conduct business".[427]

If Coca-Cola viewed the partnership with WWF critical to building public trust and gaining technical knowhow for its environmental programs and the new water initiative, the partnership was equally of strategic interest to WWF and its goals. WWF ranks water as the second biggest danger facing humanity after the climate change. WWF has identified fresh water and watersheds as one of its priority conservation areas and working with corporations has not been an issue. Indeed, it has been known for its corporate partnership approach, and it has introduced specific criteria for partnerships and a training program. With these efforts the organization aims to raise interest, support and understanding about partnerships and to interstate these better into its activities. Many WWF partnerships with the private sector have achieved an established status, especially the partnership with Unilever to enable certification for sustainable fishing under the label of MSC. According to James Leap, director general of WWF International[428], to save endangered species,

> "We must get to grips with the challenge of humanity's ecological footprint. If we are to achieve our goal of reducing the global ecological footprint to a sustainable level by 2050, we will need innovative partnerships among business, governments and civil society. We are promoting the concept of One Planet Living to help people understand and respond to this challenge, and our partnerships with business are at the heart of our strategy."

Suzanne Apple, who is responsible for business and industry collaboration at WWF USA, views the Coca-Cola partnership as an exciting opportunity to WWF. She thinks that the company's geographical presence, its purchasing practices, and brand value "opens direct access to influence the world's largest producer of soft drinks and to reduce its sizable environmental footprint". According to Apple, the partnership goal to improve Coca-Cola's water efficiency

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[427] Isdell 2006.
[428] Leap 2008.

will have a sizable impact while the water use is being expected to increase as business grows. WWF has counted that the company's water efficiency goal will eliminate fifty million liters of that increase in 2012 alone. According to Apple, this equals to 20 000 Olympics size swimming pools.[429]

Apple also emphasizes that the engagement with Coca-Cola and the positive effects generated by it can be multiplied, because Coca-Cola is the leading buyer of sugar, major buyer of aluminum cans, of citrus, and one of the largest purchasers of coffee, and class. It is thus in WWF's interest to shift the Coca-Cola's purchasing to sustainable sources. In addition, Coca-Cola is present worldwide, which enables WWF to form teams of people in many parts of the world to work together on ground.[430] Finally, WWF "can utilize Coca-Cola's understanding of the commercial system and its vast distribution network, political clout, and financial resources" in its conservation work. This generates positive PR, which WWF also needs. In Apple's words, "we work with them to help them understand their environmental impact in places, which we care about". WWF benefits from the ability to help a high-profile company achieve best practice, creating a model that others can draw on.[431] According to her,

> "Targets like these (water neutrality) are very much consistent with our mission and our conservation priorities… We are pragmatic in our approach. We are pushing companies to set ambitious targets. But they have to balance their economic interests and their environmental interests."

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[429] Apple, interview in August 2008.
[430] Apple, interview in August 2008.
[431] Apple, interview in August 2008.

Developing Trust

Similar to instrumental partnerships, pioneering partnerships require high level of trust. Although both parties stated the partnership highly strategic, the beginning of the actual work between the corporate people at Coca-Cola and environmentalists at WWF wasn't easy. Pulling together disparate parties wasn't as easy as the architects of the partnership had planned, and people turned out to be highly suspicious of each other and they didn't understand why they should cooperate. At Coca-Cola, people didn't understand what was the point with working with environmentalists and they wondered why environmental issues had suddenly become so important to their business. Daniel Vermeer described the situation:

> "People in the company understandably had hard time seeing the business relevance of biodiversity issue. They say: 'Okay, I may really care about the panda in China or the catfish in the Mekong, but I didn't know why my business cares about that."[432]

People at WWF were equally suspicious at the beginning. For environmentalists, being open to a long-term partnership with a multinational like Coca-Cola was "much less about identifying water as a common ground and much more about rethinking its own mission and vision"[433]. According to Apple, the challenge is that,

> "You have to help people see the abundance of resources available, for example the talent and knowledge within the corporate sector. We may know all about watersheds, but we discovered they had some very sophisticated watershed analysis as well, and they know a lot more than we do about commercial decision-making, which can have impacts well beyond plants and facilities." [434]

It took few first years of fieldwork that the trust to think like partners developed gradually. Trusting and appreciating one another's view began with creating understanding why the

[432] Vermeer, interview in August 2008.
[433] Senge et al 2008, 83.
[434] Quoted in Senge et al 2008, 84.

partnership was important to each organization before people from different cultures and backgrounds began to see the worth of the collaboration. Senge et al provide an illustrative example of this by describing how in a workshop in Guatemala, one of the bottlers with twenty-five years of experience told about the change that had come alone with working with the WWF staff on sustainable fishing and habitat protection in the Mesoamerican Reef:

> "Let me tell you, we have not been encouraged by the Coca-Cola Company in the past to engage with external public groups like WWF. Though it's not on paper anywhere, for people like me 'Did you notice me?' is always a question. You know, you keep your head down, stay under the radar, and if there's no press, you've had a good year – lots of visibility is not a good thing."[435]

The relationship thus developed gradually. Trust was a key to develop common working practices. In 2008, Greg Koch, who directs the partnership at Coca-Cola, described the parties as "sisters and brothers" working towards joint goals. Two years later, in January 2010, Koch described the partnership in an interview by saying that "we are like old couple with kids".[436] To reach this level of certainty it was also critical that both actors believed in each other's interests are sincere.

This was especially important to WWF: when it announced its partnership with Coca-Cola, it was accused for taking corporate money. The Center for Media and Democracy[437] criticized the partnership:

> "WWF, the corporate-funded environmental giant often accused of taking greenbacks in return for greenwashing its corporate benefactors, has a new partner. WWF and the Coca-Cola Company proclaimed a 'bold partnership' that has Coke paying WWF $20 million, WWF touts the deal on its website. A full-page New York Times advertisement announcing the deal is headlined 'This is our drop', a phrase that Coke has trademarked. For Coke, $20 million is just a drop in the bucket, a cheap fee for the PR boost from its WWF partnership".

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[435] Quoted in Senge et al. 2008, 88.
[436] Koch, interview in January 2010.
[437] The Center for Media and Democracy is a non-profit, non-partisan, public interest organization that "strengthens participatory democracy by investigating and exposing public relations spin and propaganda".

According to WWF and Coca-Cola representatives, both organizations are aware of the potential skepticism and accusations of window dressing and greenwashing. Therefore they agreed in the beginning upon communicating publicly about the progress towards their common targets. They agreed that WWF would hold Coca-Cola accountable to meeting these targets.[438]

Partnership Achievements

The work began by setting conservation targets on Coca-Cola plants, water stewardship, supply chain, climate, and the river basin conservation. WWF team developed plant-level water efficiency toolkit to help reduce water consumption within the plants. Their work included over three hundred independent bottlers in two hundred countries. As a result, since 2004 Coca-Cola improved water efficiency by thirteen percent. The energy use ratio was improved by nineteen percent between 2002 and 2007. These efficiency measures indicate that the company consumes less water and less energy and emits fewer greenhouse gases per unit of product sold.[439]

The partnership has also focused on improving wastewater treatment in regions where municipal or other external treatment facilities do not exist or do not fully treat wastewater, and to require that manufacturing operations must construct on-site treatment systems. According to the Coca-Cola 2010 Sustainability Review, nearly eighty-five percent of operations aligned with the standard pledged by the end of 2010.[440]

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[438] Koch, interview in July 2008.
[439] The Coca-Cola Company, Replenish Report 2008.
[440] The Coca-Cola Company Sustainability Review 2009-2010.

Community Water Conservation

In addition to internal company improvements, pioneering partnerships are designed to bring benefits to the communities from which the companies are systemically dependent on. This positive contribution takes often the form of community capacity building in a way or another, and it is aimed at engaging local people in ways that they benefit from those partnerships. The work is done within the communities, including local authorities, NGOs, associations and other important groups who know the local challenges and have an interest to be involved in the work.

WWF - Coca-Cola collaboration was early on designed to improve the health of river basins in different parts of the world. This work was an important part of the new corporate strategy to return the water the company uses to make its beverages; hence to bring about broader societal benefits within communities Coca-Cola is present. According to Apple, in reaching this ambitious goal the first task was to identify seven major watersheds in the world in very different, but equally crucial locations. Choosing seven regions was important as Apple commented: "We knew we couldn't do all the places that matter, so we picked these seven to see what it would take to bring in bottlers and our fresh water people and do some things together in a big way".[441]

The seven watersheds chosen were Danube, Mekong, Mesoamerican Reef, Rio Grande/Rio Bravo, Rivers and Streams of Southern US, Lake Niassa and Chiuta, and Yangtze. These seven river basins were selected for their unique importance to humans, biodiversity and the freshwater resources which conservation WWF considers to be significant both environmentally and socially. Danube is known as Europe's lifeline and the world's most international river basin

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[441] Quoted in Senge 2008, 87.

shared by nineteen countries. Mekong provides freshwater for sixty million people in Southeast Asia and there are more fish species than in any other river other than the Amazon. Mesoamerican Reef Catchments are the longest barrier reef in the world, a water provider for local communities. Rio Grande, also known as Rio Bravo, supports ten million people in the fastest growing region in the US and the northern Mexico. Southeast US Rivers and Streams are also globally significant center of freshwater biodiversity. Lake Niassa and Chiuta are unique fresh water ecosystems from which surrounding communities are dependent on for food and tourism. Finally, Yangtze is the third longest river in the world and holds forty percent of China's freshwater and supports four hundred million people and fish and wildlife species.[442]

All these watersheds face complex problems that seriously threaten the fresh water availability. The partnership started to work with the local communities, NGOs, governments and regulators to identify projects that help make models to address four central challenges to river basin conservation. These challenges are governance and management; resource protection; conservation and development, and biodiversity conservation.[443]

The work that improves governance is important environmentally and socially, as it bears recognizable societal benefits to larger communities, hence the important goal of pioneering partnerships. In many of the regions, poor governance and inefficient management of water resources result in poor water quality, water scarcity, habitat degradation and declining species. When these water resources are governed more properly, they can safeguard important economic resources, including fish stocks. Better water governance also contributes to public health when water supplies are better protected and purified.[444]

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[442] WWF, Press Release 2008.
[443] Koch, interview in January 2010.
[444] Koch, interview in January 2010.

In Danube, the partnership work has been concentrated on restoring wetlands, especially in Romania, Bulgaria and Hungary. According to WWF, more than eighty percent of the basin's wetlands, floodplains and forests suffer from loss of biodiversity due to channeling, dams, shipping routes, hydropower and agriculture. Also rapid urbanization has resulted into over-grazing, deforestation and erosion.[445] Because of these conditions, the partnership teams have concentrated in protecting critical habitat and restoring sturgeon migration across the Iron Gate Dams. They have used best practices exchange. In 2009, the partnership also helped prepare for the restoration of Liberty Island in southern Hungary. The team helped revitalize the two-mile-long forested island and its surrounding waters by removing impediments to water flow. They also replanted native tree species and created areas for local residents and tourists, aiming for creating an undisturbed natural floodplain forest, securing safer drinking water resources for the nearby community, and enhancing opportunities for environmentally wise tourism and recreation.[446]

In Mekong, the partnership teams decided to focus on national conservation policies for freshwater resources and they have promoted community management and local sustainable agricultural practices. The river has suffered from hydroelectric dams, overfishing, mining, and agricultural methods as well as poorly planned roads, bridges and levees that have caused sedimentation and aggravate flooding and declining populations of Mekong Giant Catfish and the Mekong Dolphin. The partnership work has concentrated in restoring watersheds and improving resource management in two sub-basins, one in Chi River Subcatchment in Thailand and the other in Plain of Reeds in Vietnam. In the Chi, the team has worked to produce native seedlings and they have plant trees for erosion control, both in public and on private forest areas.

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[445] WWF-TCCC 2009.
[446] WWF-TCCC 2009.

On the Plain of Reeds, the team has advocated reform of wetlands policy in Vietnam. The partnership has also worked with local Coca-Cola bottlers to promote more sustainable sugar production and watershed stewardship.[447]

In Mesoamerican Reef Catchments, the emphasis of partnership has been in rooting new ways to solve local water management challenges. The team has introduced the benefits of private investment in freshwater conservation and river basin management to the local people. The team helped create the Water Fund of downstream water users to provide support to conservation efforts of upstream communities, which helps maintain water quality downstream. As a result, six private companies support the Water Fund. It supports reduction of household firewood consumption and fire control and prevention. For instance, in Teculutan and Rio Hondo fire control and prevention reduced the area affected by forest fires by eleven percent in 2007 - 2008. This ensures less erosion to pollute the water supplies of downstream users.[448]

Benefiting both surrounding habitat and the communities, in Rio Grande the team has worked to set up an integrated river basin management system to improve conditions at seven key sites along the Rio Grande and its primary tributary, the Rio Conchos. The team introduced a new management system in order to conserve and restore the health of the river. The river suffers from over-exploitation of water resources, especially in the US. Another problem is extinction. In 2001, for the first time Rio Grande failed to reach the Gulf of Mexico. Dams and canals disrupt the river and divert water to support the agriculture and inefficiencies in irrigation systems waste up to forty percent of water, totaling to billions of gallons every year. Low water levels increase salinization and loss of biodiversity in the river. The partnership has also worked

[447] WWF-TCCC 2009.
[448] WWF-TCCC 2009.

to control the thirsty invasive plant species and voluntary transfers of water rights to keep water in streams for environmental purposes.[449]

As pioneering partnerships aim to engage local people and bring wider societal benefits, a good example of this was the project in 2009 in which WWF and Coca-Cola worked through river rehabilitation projects in both the US and Mexico. These projects engaged the local people to see how the projects' results would directly benefit them. For instance, the team trained residents of Mexico's Ejido Panalachi community to perform soil conservation, habitat restoration, and to improve forest conditions. It also worked with citizens of Boquillas to remove two highly invasive species.[450]

In the Tennessee/Cumberland and Mobile River Basins of the Southeastern US Rivers and Streams, which rank highest in freshwater extinction in North America, the partnership has decided to pursue stream restoration, small dam removal and species reintroduction. The watersheds are increasingly stressed due to poorly planned development and sprawl, which pollutes them with sedimentation. Local agriculture, mining and forestry industries have impacted the water quality and dams alter stream habitats. The partnership seeks to harmonize these areas by increasing sustainable water policies and practices, especially water reuse practices including efforts to modify Birmingham, Alabama's water resource plan. In addition, the partnership has collected about 1500 rain barrels from Coca-Cola to store rainwater and distribute it in middle Tennessee to capture water run off during rain events. This helps stem the amount of runoff that occurs in urban areas and reduce harmful effects to the river basin such as

[449] WWF-TCCC 2009.
[450] WWF-TCCC 2009.

downstream erosion, water quality degradation and flooding. The program has also initiated a national launch of local watershed groups and bottlers.[451]

Another illustrating example of how a pioneering partnership aiming for broader societal benefits through capacity building is the partnerships efforts in Lake Niassa. The lake is threatened by increased sedimentation, timber and firewood harvesting as well as overfishing by local communities. Also migrant fishermen from Malawi who fish illegally in Mozambique are a problem. In addition, the communities are also threatened by bilharzias, a disease transmitted by a parasite in Africa. In the past, the cichlid fish populations helped keep the disease out of the lake, but the disease can now be contracted in the lake. The partnership works to secure the livelihoods of local communities and the biological diversity of Lake Niassa. It has worked to establish a new protected area freshwater reserve, which will represent one of the largest freshwater protected areas in Africa. This work is extensive and it includes establishing reserves in Lakes Niassa and Chiuta, training people, and certifying community fishing councils to oversee fishing licenses and registration of fishermen, boats, and nets .[452]

In Yangtze, the partnerships efforts have centered on developing river governance and local water management practices to help the communities to improve their living standards. The region suffers from rapid population growth, rapidly expanding industry and deforestration resulting from the timber and agriculture industries. There has been severe habitat loss, and land reclamation has harmed species populations, declining the natural fisheries production by seventy-five percent. This is why the partnership works to inspire better governance and sustainable river management practices across the basin. It has concentrated on watershed management projects in two upper Yangtze tributaries, the Minjiang and Jialingjiang Rivers. The

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[451] WWF-TCCC 2009.
[452] WWF-TCCC 2009.

team has also worked with Coca-Cola bottlers to develop practices for water use and water management. It created training programs for local residents on a scorecard to help raise awareness and engage them in tracking environmental indicators over time. Another project has developed low cost pollution control measures for villages. The team is also engaged in local events where it builds awareness about river management practices. One of them was the 2008 "Wetland Ambassador Action" program, designed to encourage students to create ideas on how to mitigate the impact of climate change through wetland protection.[453]

In October 2008, the partners decided to extended the partnership until 2012, with a nearly four million dollars budget by Coca-Cola. The water conservation work was refocused to concentrate into three river basins: Mekong, Southeastern US Rivers and Streams, and Mesoamerican Reef Catchments. This decision was made based on the reconsideration of the partnership's best potential to make the most difference at the local levels, hence to reach the best possible societal impact. According to Koch, this was viewed more valuable in terms of the final results of the partnership. The three river basins were chosen through selected criteria of their survival. Those were 1) the survival of the local partnership, 2) the potential contribution to both the partners and their systems as well as to the larger conservation community, and 3) the potential of policy change.[454]

The first criterion was used to evaluate the dynamics of each local community work in regard to their potential for long-term survival, hence sustaining the new methods, models and programs. The second criteria evaluated how each river basin project could be replicated as a model. This was important, as the groundwork already done within seven river basins had generated four different models. As Koch explained it, this criterion "told us how did we do

[453] WWF-TCCC 2009.
[454] Koch, interview in January 2010.

this". The teams had learned along the way that what was critical for successful outcomes was the models and that they can be replicated. Koch told in an interview that the partnership teams had encountered so many challenges on the ground while forming relationships at the local level, and that in each community they needed to figure out how they would go about doing their conservation work, and how it can be made sustainable. This included questions such as who they should work with and which local NGOs or group to trust in. But because the teams wanted to share the information they learned, they also paid emphasis on the models how local level partnerships emerge. The third criteria evaluated the policy change, which has been defined as the ultimate goal of the partnership.

Steward for Global Awareness and Action to Address Water Challenges

A critical element of Coca-Cola's new water agenda has also been the visible participation in global business communities and promotion of sustainable development to "mobilize the international community to drive global awareness and action to address water challenges". In July 2007, at the annual meeting of the UNGC in Geneva CEO Isdell urged more companies to get involved in protecting the environment. Coca-Cola has also been involved actively in World Economic Forum (WEF) where Mr. Isdell has led discussions with CEOs to catalyze holistic water management actions.

External engagements have also been part of the new strategy. In 2005, Coca-Cola was one of the first companies to join the Global Greenhouse Gas Register of the WEF. Coca-Cola has also adopted the Greenhouse Gas Protocol of the WBCSD and the World

Resources Institute (WRI), which both aim to harmonize green house gas accounting and reporting standards.

External Recognitions

Coca-Cola's consistent environmental work has been recognized by the business community, which views the company's efforts sincere. In 2005, a group of institutional investors, who are concerned about the corporate greenhouse gases and climate impacts under Carbon Disclosure Project, recognized Coca-Cola as one of the most improved company responses. Two years later, after the launch of the WWF partnership, the Covalence study[455] ranked Coca-Cola as the best company within the food and beverage categories for Ethical Quote Progress and Best Reported Performance, and second in the Leaders Across all Sectors for Best Reported Performance. According to Covalence's director Antoine Mach,

> "Coca-Cola's vastly improved performance in our ranking in the past quarter is quite spectacular and is almost entirely due to the company's high-profile engagement on global water stewardship…This was greatly enhanced by the CEO's personal involvement, by the announcement location in Beijing, and by the prestige of the conservation partner – the World Wildlife Fund."[456]

In November 2010, Corporate Responsibility Magazine named Coca-Cola CEO Muhtar Kent the "Responsible CEO of the Year" in the Large Market category. Coca-Cola has also been recognized in Mexico for continuous commitment to foster sustainable development among the

[455] Covalence studies the ethical reputations of transnational companies. It compiles a score in three categories: best "EthicalQuote" score, best ethical progress and best reported performance. (Covalence 2010)
[456] WWF-TCCC 2007, 17.

Top 10 Enterprises with the Greatest Sustainable Social Responsibility in 2009 and in India by a Golden Peacock Global Award for Corporate Social Responsibility for replenishing ground water and setting a target to reach a "net zero" balance with respect to groundwater usage in 2009. Earlier same year, Coca-Cola was the recipient of the World Environment Center's (WEC) Twenty-Fifth Annual Gold Medal for International Corporate Achievement in Sustainable Development for implementing business initiatives in water stewardship, sustainable packaging, energy management and climate protection. WEC's award dates back to 1985, when it was established to recognize top industry initiatives in global environmental excellence and sustainable development. The WEC Gold Medal Jury is independent of the WEC and its programs, and is composed of international leaders from academia, government, and NGOs and retired industry professionals.[457]

Coca-Cola has also been criticized for using the programs to polish its image and for misleading information on water usage. According to Richard Girard, a researcher at the Polaris Institute, "there is no way to verify the amount of water this company uses, when in many cases Coke's bottlers do not disclose how much water they are taking. The claim of a 4 percent reduction is strictly an exercise in public relations." Girard also claims that the international water projects that Coca-Cola is funding are about "cleaning the company's image," because "they can be used as ammunition to respond to critics at events like their annual general meeting".[458]

The Polaris institute also accuses Coca-Cola for contributing to the 6.56 billion pounds of plastic that was burned or thrown in landfills in the US in 2005, and the company's squandering and polluting of water resources in India. For these reasons, in 2006 the Polaris Institute chose

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[457] The Coca-Cola Company Press Release January 2009.
[458] www.polarisinstitute.org/coca_cola_company_wins_corporate_greenwashing_award.

Coca-Cola for its first recipient of Corporate Greenwashing Award. It is presented to "companies that have pushed profits higher while investing millions of dollars into covering up environmentally damaging practices with corporate social responsibility projects". According to Verda Cook, campaigns coordinator at the Polaris Institute,

> "After careful consideration, the Coca-Cola Company stood out as the company that has worked the hardest this year to present itself as socially and environmentally responsible – while continuing to harm environments and communities through the production and distribution of its products".

Both CAI and the Polaris Institute are also suspicious of the intentions of the CEO Water Mandate, an initiative visibly supported by Coca-Cola. They regard it as a corporate attempt to cover-up the criticism for water withdrawals in water-scarce India. According to CAI, the initiative was created at the same time. Also the growing public concern about the social and environmental impacts of bottled water in North America was growing and thus influenced Coca-Cola to take action to ensure its future business growth - bottled water. In 2006, the pressure on CEO Water Mandate companies got heated at the World Water Forum in Mexico City, where NGOs questioned the good will of the private sector participation in water issues, and shifted the discourse towards a debate on how to ensure that access to water was upheld by governments and the international community as a fundamental human right.[459]

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[459] Corporate Accountability International Report on water governance http://www.stopcorporateabuse.org/sites/default/files/CEO-Water-Mandate-English.pdf

Conclusions

Taking into account the systemic nature of global environmental and social problems, the challenges of Coca-Cola are not going to be any easier or smaller in the future. Instead, along the growing global attention to corporate social responsibility and sustainable development, businesses that affect negatively local communities will be jeopardized, and thus will continue to be highly vulnerable to external normative pressures and harmful NGO campaigns that damage their brands. Soft drink business depends on freshwater, which is already a scarce resource in many parts of the world and is expected to become scarcer in the future. Soft drink manufacturers, alike other companies that are systematically dependent on the declining commons, are not only exposed to reputational risks that can cause customer protests and investor concerns but will also confront to extra costs and regulation constraints as the international community continues to search methods to find price for the commons.

Continuous activist campaigns since 2003 and accusations that Coca-Cola is stealing water from the local people made Coca-Cola management aware of the negative externalities the company has been causing to the communities it operates in and that the company needs to deal with the new challenge that water is increasingly also an emotional issue. This made Coca-Cola aware of its vulnerability to normative expectations and eventually accountable to its water use at the international level. Because of the systemic vulnerability to external normative expectations, Coca-Cola has no other option than to build a relationship with the local people through responsible business practices and responsible water use and thereby demonstrating the local people its commitment to be a part of the solution instead of being a part of the problem. It had no other option than to change its relationship with society.

In improving its relationship with society, the partnership with WWF has been significant. WWF has helped Coca-Cola to improve its internal programs and thus establish credibility for the corporate environmental agenda. In particular, the partnership has been strong in advancing Coca-Cola's water conservation work on the ground and significant improvements have been made. The partnership is hence more than an instrumental partnership. If it were an instrumental partnership it would only concentrate on improving the internal processes of the company: operational efficiency in water and carbon management and in developing sustainable agriculture, processing and packaging and thereby attempting to regain the company's normative legitimacy. But because Coca-Cola is facing constant conflict over the use of scarce water, it needs to maintain an open dialogue with its external groups to gain credibility to its efforts. The partnership is thus pioneering as it is designed to rebuild the company's relation to society not only by improving internal processes but also by empowering communities themselves by enabling people's access to water and establishing water governance mechanisms and models, and thereby bringing positive social benefits for the people in those communities.

This implies a new role of a multinational corporation. The societal benefits generated through the partnership go beyond the ones generated by symbolic partnerships. The partnership is pioneering in that it facilitates the company to participate in capacity building of the local communities where it has business. Pioneering partnership involves an NGO that facilitates the needed cultural shift within the company to become active actor in sustainable development, hence not only to bring its operations in line with external normative expectations but also to work towards sustainable development in a global context.

Chapter VI

Conclusions

In 1962, the economist and Nobel Prize Winner Milton Friedman wrote the famous words in his Capitalism and Freedom: “There is one and only one social responsibility for business to use its resources and emerge in activities designed to increase its profits so long as it stays with the rules of the game.” This has been interpreted that each agent only minds his own business and therefore companies do not have any other responsibility than the maximal return of equity.

Five decades later, in the twenty-first century, the rules of the game seem no longer to hold. In the era of nearly seven billion people and badly stressed ecosystems, corporations are often blamed for societies’ failures. In recent years multinational corporations are seen as major causes of social, environmental and economic problems and widely perceived to be prospering at the expense of the broader communities. These claims have been successfully fuelled by tactic-resourceful NGOs that watch out for irresponsible companies, scientifically question their operations and pick them as targets for their campaigns to raise public concern on those issues. NGOs inflict harm on companies that do not respond to their demands. In addition, multinational corporations are also confronted with a growing variety of policy developments and regulation that also call for greater corporate social responsibility. Companies feel they are expected to conform to this new social demand and standard of behavior and many of them take action to reduce the negative social and environmental impacts of their activities and create corporate social responsibility programs that aim for larger societal benefits.

Skeptics have questioned corporations’ willingness to take into account the larger consequences of their activities and bare responsibility for them. Although it would be naïve to think that *all* companies care about the ways in which they make their profits, skeptics still ignore the fact that the market's actors must consider their own profits when making their decisions, especially under pressure. Growing concern for corporate social responsibility suggests that a norm has emerged in the market place and is setting a price for externalities. Corporations can no longer prosper by ignoring externalities as it has become more difficult for them to free ride. Those that neglect their externalities and do not take responsibility of them are punished by other market actors. Therefore, corporations as rational self-interest agents show interest in corporate social responsibility. This is because maximizing shareholder value is no longer so straightforward; globally operating corporations are involved in a series of global challenges that might essentially affect their business and economic functioning itself. Corporate social responsibility concerns increasingly involve issues that threaten the shareholder value.

NGOs are in the *center* of this development. They are organizations that are generally believed to be value-driven actors that use informal networks to mobilize change. What should not been under-estimated is that NGOs are as equally rationally acting agents as corporations and drive their results using market mechanisms. These influential actors in international politics have also become powerful market players as they can use their resources, networks and influence to directly or indirectly pressure corporations to change.

It has been surprising to many private sector actors that NGOs can seemingly hurt multinational corporations even though those corporations are obeying regulations. NGOs continue being critical to corporate public engagement with corporate social responsibility. They think that it can create the perception that it is implausible that such companies would do harm. Instead, many NGOs criticize private sector standards for responsible behavior and certification institutions for their subjective criteria and demand for more strict criteria. They rightly ask, to what extent are such perceptions founded on glossy public relations materials and to what extent are they founded on the realities on the ground. On the other hand NGOs publicly praise companies that seek to change their behavior and do it consistently. Greenpeace, for instance, gives publicly recognitions to companies that have chosen to change their practices in issues important to Greenpeace agenda.

It seems that in many conflicts NGOs seem to be more powerful than multinationals. The fact that states are weak in finding consensus and solutions to the most important challenges of sustainable development and the adoption of the norm of corporate social responsibility as well as the gradual growth of the significance of sustainable development have been favorable conditions for NGOs to strengthen their status and weight. NGOs have thus not only gained power in international arenas as trusted negotiators, they are also increasingly powerful actors in markets.

Hence, although NGOs accuse corporations for being a major cause of social, environmental and economic problems; many of them have adopted a dual role to achieve maximal results. They manufacture new public expectations for corporate social and environmental behavior and monitor companies whose actions are irresponsible, but they also invite the same companies to engage with them in collaboration. Some of them do this in the shadow and publish joint projects with their corporate partners. Others work under the scene first and use more aggressive means to bend corporations to change their course if needed. When a successful solution is reached, they publicly reward the corporation for a good practice. Despite different ways NGOs bring about change, what they all do is they help corporations to change their behavior to better.

If NGOs previously were known as activists pressuring governments and corporations to change their courses, they are increasingly also *facilitators* for corporations to get clean with negative social and environmental externalities. The public trust NGOs enjoy over governments, companies and the media and the growing public concern of environmental issues, especially the climate change, all increase their appeal as partners for corporations in their social and environmental efforts.

Key to this new role has been the evolution of tactic in how NGOs operate. They now openly utilize the significance of shareholder value as a corporate driver and frame the potential benefits of collaboration in those terms. By stressing how corporations can ensure shareholder value by working with them to reduce their negative externalities, NGOs have been successful in finding common ground with executives to become partners in change. In other words, NGOs have understood that the corporate social responsibility has less to do with altruistic managers misusing corporate money but all to do with protecting shareholder value and thus maximizing profits. Because in many cases ensuring shareholder value requires compromising with NGOs agendas, and aligning corporate operations according to NGO demands, corporations are willing to collaborate with organizations to address society's needs, even with the same NGOs that have questioned their normative legitimacy.

What we are witnessing is thus a new era of transnational cooperation in which NGOs and corporations negotiate trade-offs to achieve their respective goals. Both actors adjust their behavior to achieve their own goals. This study explores NGO-business partnerships as a new form of transnational cooperation that actors choose when they seek to *balance* their interests within the wider systemic context they are a part of. NGOs have increasingly engaged with corporations to take the advantage of market mechanisms to achieve their specific targets and companies use these engagements to balance the social and environmental risks they face. In the core of these engagements is thus a trade-off both actors are willing to negotiate.

There is relatively little research on this kind of new transnational cooperation in the study of international relations. There has been surprisingly little research in the ways in which NGOs and corporations become partners in change and what drives them to do so. This study thus contributes to the literature by bringing empirical exploration on three different kinds of engagement strategies that NGOs and corporations form to achieve their respective goals. The study differentiates between these different types of engagements and explains their differences.

The study argues that because corporations use cost-benefit calculations when responding to the demands of demonstrating corporate social responsibility, they weigh their need to improve the social and environmental consequences of their activities, and use their vulnerability to external normative pressure as a yardstick for those investments. Hence, it depends on those drawn to the company with a social or environmental agenda and how they are able to put corporations under costly and harmful campaigning. Although all corporations are at least vulnerable to the external normative pressures, some companies are more vulnerable than others. The study shows that the more a corporation is vulnerable to external normative pressure, the more it is likely to seek NGO-engagement to ensure its legitimacy that is threatened by the confrontation.

xxx

Certain limitations related to the scope of this study, however, should be pointed out. First, in framing the topic of the study as a new dynamics of society-business relationship, that is cooperation instead of confrontation, the universe of the study concentrates on those multinational corporations that have perceived their need to demonstrate their corporate social responsibility and decided to work with NGO/NGOs to gain credibility for their efforts. This excludes corporations that are under pressure but have not perceived their need to align their operations according to NGO agendas or they have not been able to find common ground with an NGO and have therefore not reached into an agreement with one. In these cases, actors lack comprehensive understanding on each side's goals and they are not willing to negotiate for a needed trade-off. In respect to failing cases, the theory presented in this study predicts that companies vulnerable to normative pressure will continue to be attacked by the NGO community and the normative pressure to change the operations is likely to intensify.

Two Finnish globally operating corporations, a paper, packaging and wood products company Stora Enso's and Neste Oil's different approaches to their vulnerability illuminate this. While still being accused by Friends of the Earth Brazil and Friends of the Earth Uruguay of violating workers' rights in Brazil, of deforestration, of limiting water availability in the communities close to their plantations, of violating land laws and of lobbying to weaken environmental laws[460], Stora Enso has begun an open dialogue with Greenpeace on some of the issues and has thereby gained more credibility to its corporate social responsibility within the environmental groups[461].

In contrast, Finnish oil refinery Neste Oil, accused of deforestration, is also under high pressure by actions taken by Greenpeace and Friends of the Earth International and suffered from damages due to their campaigning, has taken another approach. Alike Coca-Cola was questioning the accusations of the activists and claiming that its operations are responsible, Neste

[460] Friends of the Earth International, May 2010.
[461] Aromaa, interview in March 2011.

Oil is refusing closer collaboration and thereby in fact inviting more harmful NGO campaigning. In January 2011, the environmental groups voted the company the worst company in the world. The theory developed in this study predicts that, similar to Coca-Cola that under intensive pressure eventually realized it could not win the battle due to the systemic nature of its vulnerability, Neste Oil will continue to suffer from intensive harm organized by NGOs, most notably by Greenpeace and Friends of the Earth.

Secondly, in focusing on solely successful cases, that is NGOs and corporations have ended up collaborating, and explaining why they collaborate in different ways, the study provides little to our knowledge on the cases that have not been so successful. This clearly weakens our understanding of the phenomena wholly and should be a matter of investigation on its own. However by establishing the reasons for NGO-business engagements, the present study provides some insights to these cases too. It highlights the role of corporate understanding of the power of the NGO community that works against it. It might be a long process before the management confirms that they are powerless against the NGOs and that the only option to ensure shareholder value is to bend and begin to work with them, hence to negotiate a trade-off. As discussed, not all NGOs compromise their mission and are not therefore open to all companies for collaboration. Corporations that are not invited by their opponents for collaboration often seek other NGOs to engage with.

Studying failing partnerships would strengthen our understanding beyond the impact of vulnerability and the corporate perception of its vulnerability that plays a decisive part in efforts to ensure normative legitimacy, which is, in this study, viewed to drive NGO-engagements. Focusing on failing partnerships would perhaps bring front other variables such as lack of motives and respect for each other’s capabilities.

Third, because the study concentrates on NGO-business engagements, it excludes by definition some interesting and promising forms of public-private engagements that also illuminate a new relationship between business and society, emerged during the past decade. One of them is the Clinton Global Initiative (CGI) founded in 2005 by former president Bill Clinton. CGI is a non-partisan organization that "convenes global leaders to devise and implement innovative solutions to the world's most pressing problems". Each September, CGI hosts an annual meeting in New York, scheduled to coincide with the UN General Assembly. Throughout the year, CGI helps its members, corporations, NGOs, and government leaders, maximize their efforts to create positive change. Another similar initiative has been established to save the world's most polluted sea, the Baltic Sea, by a nonprofit Baltic Sea Action Group (BSAG). The group involves states, local authorities, businesses, NGOs, foundations and governmental agencies. Based on commitments that each organization makes, both of these initiatives are forums for different actors to tackle social and environmental issues.

This study contributes to our understanding on these initiatives in that the key driver for them is also the need of corporations to demonstrate corporate social responsibility and the need of the state and civil society actors to achieve concrete results with the resources corporations share with them. However, because CGI and BSAG are not designed to fix corporate internal operations to regain corporate normative legitimacy, they are multi-stakeholder forums that contribute positively to corporate public relations by providing a recognized platform for corporations to live up to their pledges.

xxx

This study explores NGO-business engagements as a new society-business relationship and stresses the collaboration as a trade-off that rational actors choose in order to achieve their own self-interests. It thus explores how the rules of the game are changing and how corporations balance with the new uncertainty that they have become exposed to. On the other hand the study stresses the strength of NGOs as influential international actors that can pressure other actors to change their behavior.

This balancing has made NGO-business relations increasingly complex and variegated. The relationship remains both controversial and collaborative. NGOs can initially pressure corporations to urge a change but work with the same corporation to implement the change. And corporations do it because there is evidence that they can gain greater credibility when they bring an opponent into their coalition than by referring to industry association or supporter. All this suggests the change in the relationship between business and society.

Perhaps because there is much to win and much to loose for both society and business, the topic of society-business relationship will develop fast. One interesting question has already evolved. Michael Porter has predicted that businesses will be seeing business cases in creating "shared value", hence creating economic value for society by addressing its current needs and challenges. This represents a new way to achieve economic success.[462] This, as trumpeted by its proponents, will require a deep appreciation on current global problems and connecting companies' success with societal needs, and would be a much deeper engagement of society and business than the conformance to corporate social responsibility norm, that of a new standard of behavior that companies are increasingly expected to comply.

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[462] Porter and Kramer 2011.

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